Department of Health

Department of Health

Annual Report and Accounts 2015-16

(For the year ended 31 March 2016)

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 National Health Service 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

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This is part of a series of departmental publications which, along with the Main Estimates 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the Government's outturn for 2015-16 and planned expenditure for 2016-17.

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Permanent Secretary's Overview

The Department of Health's goal is to help people live healthier, longer and more independently. We lead the health and care system to ensure people experience a service that protects and promotes health and provides safe, effective and compassionate care.

It is our role as steward of the health and care system to ensure the system as a whole delivers the best possible health and care outcomes for the people of England.

2015-16 has been a very challenging year for the Department and the NHS, with the health and care system facing a combination of increasing financial and operational pressures.

Looking to the future; we have, in conjunction with our Arm's Length Bodies, published a Shared Delivery Plan, setting out what the health and care system will do over the course of this Parliament to 2020-21 to meet the health challenges for future generations, deliver Secretary of State's priorities and the NHS Five Year Forward View, alongside delivering efficiency savings.

To support this, the Department has begun a process of change, known as DH2020, to shape the way in which we deliver our objectives over the next 5 years and deliver the 30% reduction in the Department's running costs announced in the 2015 Spending Review.

I would like to thank my predecessor Dame Una O'Brien who retired from her post as Permanent Secretary in April and under whose stewardship at the Department all the achievements recorded in this Annual Report were delivered.

I would also like to take this opportunity on behalf of myself and my predecessor to extend my personal thanks to all the dedicated staff within the Department and across the health and care system for their continued hard work, passion and commitment in delivering the Department's objectives and look forward to working together to deliver our aims for the future.

Chris Wormald
Permanent Secretary of the Department of Health

Our Role and Purpose

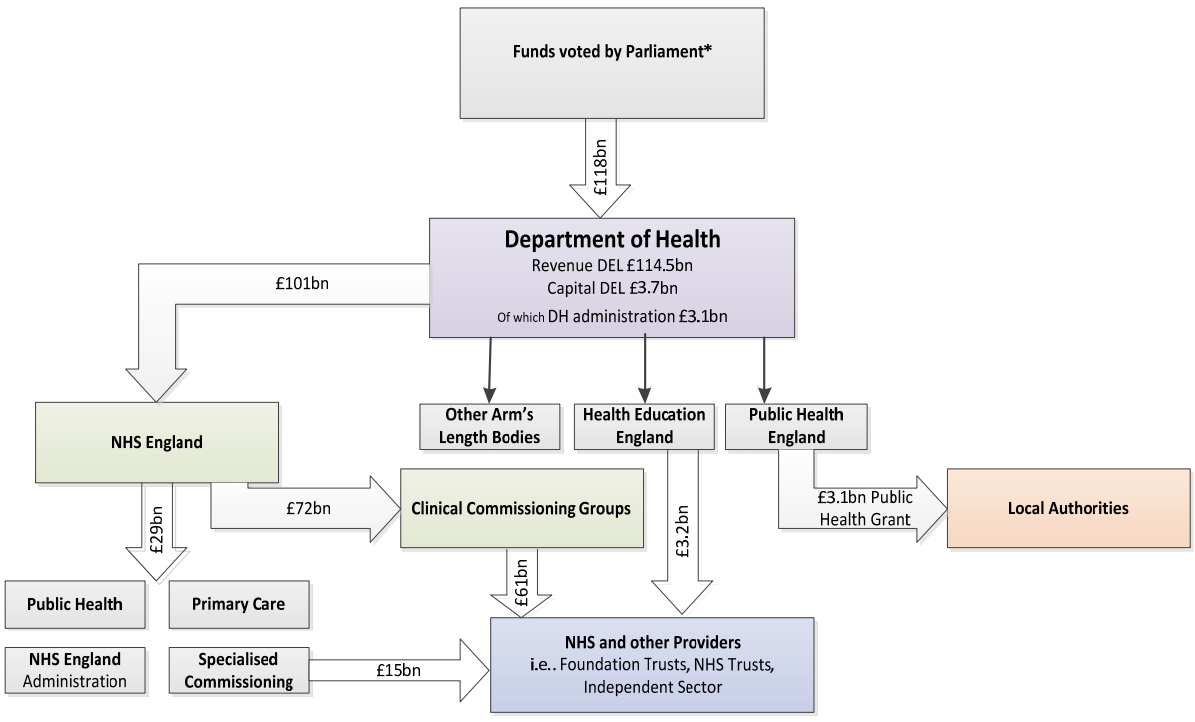
1. The Department of Health (DH) helps people stay in good health and live independent lives. We lead the health and care system to ensure people experience a service that protects and promotes health and provides safe, effective and compassionate care.

2. As steward of the health and care system, it is our job to ensure 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 services meet the expectations of patients, carers, users and the public for fairness, efficiency and quality.

3. The Department and our Arm's Length Bodies are accountable to Parliament. The Department sets the strategy and direction, creates and updates the policy and legislative frameworks within which services operate and ensures a robust system of regulation is in place for the professions and allied industries. People's care is in the hands of the professionals who look after them. This arrangement works well and the Department's role should rarely be visible to healthcare professionals, patients and service users. However, that role is vital in securing high quality, efficient and fair services now and sustaining them in the future.

4. Most of the expertise in health and social care, and virtually all the mechanisms for its delivery, lie outside the core Department. We secure funds for health and care services and remain accountable for this funding, which is allocated to the most appropriate local level. In the last financial year, across these bodies the Department has allocated funds of £114.5 billion and invested a further £3.7 billion in capital funding such as new hospitals and equipment. Figure 1 shows the budgeted position.

Figure 1: Flow of funding in the health and care system, 2015-16



Figures are based on budgeted position and may not reconcile directly with financial outturn.
*This includes National Insurance Contribution funding not voted by Parliament

5. The Department is responsible for sponsoring individual national bodies by supporting them and holding them to account for carrying out their responsibilities, for which they are either accountable through the Department or directly to Parliament.

6. This Annual Report explains how we have led the system and also describes how we have taken a global leadership role in tackling the issues that will have greatest impact in the future, and how we are taking steps to maintain performance in important key services.

Who we are

7. The Department of Health is a Department of State, which leads health and social care in England and has a number of responsibilities that 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.

Our ministers at 31 March 2016

Rt Hon Jeremy Hunt MP Secretary of State for Health

Rt Hon Alistair Burt MP Minister of State for Community and Social Care

Jane Ellison MP Parliamentary Under Secretary of State for Public Health

Ben Gummer MP Parliamentary Under Secretary of State for Care Quality

David Prior Parliamentary Under Secretary of State for NHS Productivity (Lords)

George Freeman MP Parliamentary Under Secretary of State for Life Sciences (jointly with Department for Business, Innovation & Skills)

Our non-executive board members at 31 March 2016

Gerry Murphy

Chris Pilling

Catherine Bell (to May 2016)

Peter Sands

Our executive board members

Dame Una O'Brien DCB, Permanent Secretary (to April 2016)

Responsible for overall leadership of the Department. The Permanent Secretary is the Department's Principal Accounting Officer, was answerable to Parliament for ensuring DH was run efficiently and spent its money appropriately.

Chris Wormald, Permanent Secretary (from 4 May 2016)

Responsible for overall leadership of the Department. The Permanent Secretary is the Department's Principal Accounting Officer, answerable to Parliament for ensuring DH runs efficiently and spends its money appropriately.

Professor Dame Sally Davies DBE, Chief Medical Officer and lead for Research and Development (Chief Scientific Adviser to January 2016)
Responsible for creating an effective and efficient research system in the NHS, public health and social care, commissioning reliable and relevant research to support decision making and improve the health and wealth of the nation.

David Williams, Director General for Finance, Commercial and NHS
Responsible for ensuring the Department effectively manages and is accountable to Parliament for its funding, providing commercial expertise, promoting the importance of finance in policy and decision-making.
Leading NHS policy and strategy and the £22 billion efficiency savings programme.

Felicity Harvey CBE, Director General for Public and International Health (to June 2016)
Responsible for protecting and improving the health and wellbeing of the nation, co-ordinating emergency preparedness, resilience and response for health. Leading on health science, bioethics, international health and global health security.

Jon Rouse, Director General for Social Care, Local Government and Care Partnerships (to July 2016)
Responsible for the policy framework on care and support for adults, health services for children and maternity, the Department's relationship with local government, mental health, dementia, disability, armed forces and offender health. Leading on health inequalities and human rights.

Charlie Massey, Director General for External Relations
Responsible for policy to ensure the health and care workforce can support the delivery of excellent, compassionate healthcare. Responsible for policy development and implementation on quality, safety and professional regulation, and communications to support ministerial priorities and departmental leadership.

Will Cavendish, Director General of Innovation, Growth and Technology
Responsible for driving opportunities to catalyse economic growth and boost UK jobs through the health and care system. Leading delivery transformation in the effectiveness and efficiency of healthcare services through technology and digital health and supporting the efficient and effective use of medicines in the NHS.

Tamara Finkelstein, Chief Operating Officer and Director General for Group Operations (Interim Permanent Secretary April 2016 to 4 May 2016)
Responsible for corporate and ministerial services, building the Department's understanding and capability in its role as steward of the health and care system. Governance oversight of our ALBs, shaping and driving improvement in the Department and promoting staff health and wellbeing as an exemplar across government.

Professor Chris Whitty CB, Chief Scientific Adviser with responsibility for Research and Development (from January 2016)
Responsible for the Department's research and development budget (from 1 April 2016), including the National Institute for Health Research (NIHR). Also responsible for research policy and supporting evidence-based decision making capacity in the Department.

Our Delivery Partners

8. The Department includes two Executive Agencies, which are legally part of the Department but have greater operational independence:

- **Public Health England (PHE)** provides national leadership and expert services to support locally-led public health initiatives and to respond to health protection emergencies. PHE works 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 **Medicines and Healthcare products Regulatory Agency (MHRA**) operates as a trading fund, whose 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.

Our Arm's Length Bodies

9. Our arm's length bodies (ALBs) are either accountable to Parliament directly or via the Department. 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.

10. Our ALBs fall into several distinct types:

- **Executive non-Departmental Public Bodies (ENDPBs).** Established by primary legislation and have their own statutory functions conferred, rather than delegated by the Secretary of State for Health.

- **Special Health Authorities (SpHAs).** These are NHS bodies created by order and subject to direction by the Secretary of State for Health.

- **Limited companies** incorporated under the Companies Act and included in this Annual Report and Accounts.

- **Other bodies** not included in this Annual Report and Accounts because they receive their funding from other sources.

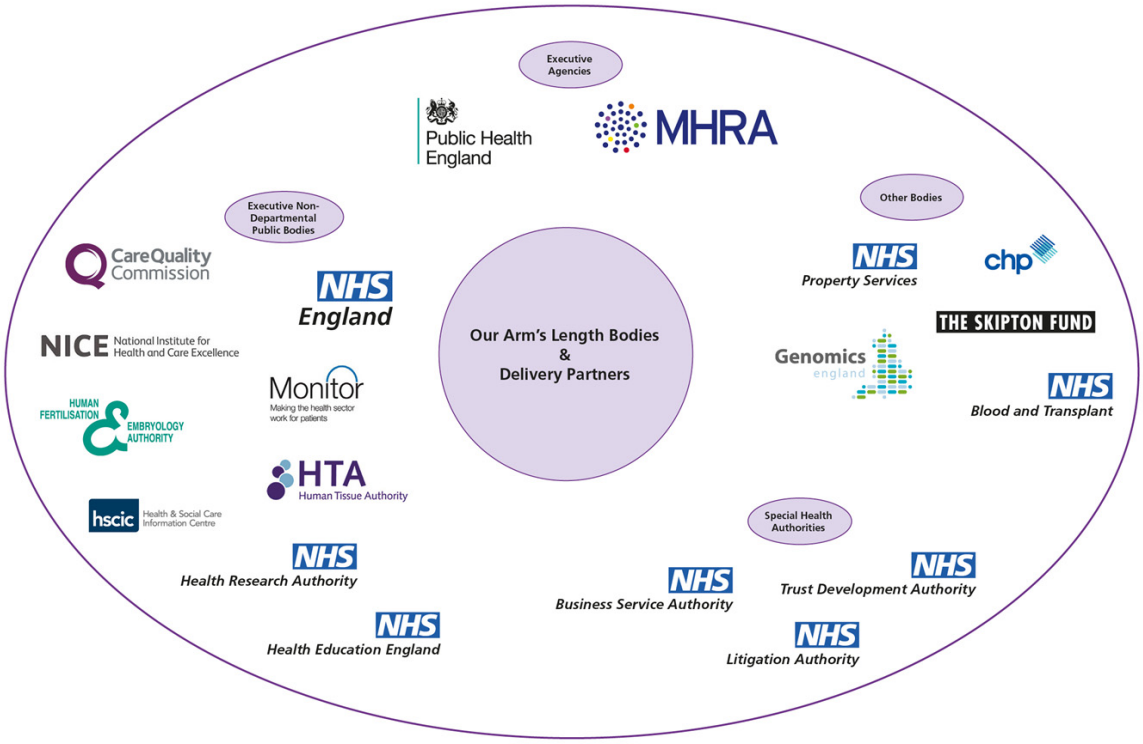
11. Our Permanent Secretary is the Principal Accounting Officer for the Departmental Group which as at 31 March 2016 consisted of:
   - Nine ENDPBs (including NHS England and its 209 Clinical Commissioning Groups (CCGs));
   - Three SpHAs;
   - Five other bodies;
   - 153 NHS Foundation Trusts (FTs);

- 90 NHS Trusts (NHSTs); and
- NHS charities.

12. The activities of our ALBs are consolidated and incorporated in these accounts, with the exception of the MHRA and NHS Blood and Transplant (NHSBT), which is designated as outside the Departmental Group due to Office for National Statistics categorisation.

13. We are 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: Our Arm's Length Bodies and Delivery Partners



Our 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. It funds Clinical Commissioning Groups (CCGs) which are responsible for commissioning services for their communities, and ensures that CCGs do this effectively. NHS England also commissions some services nationally. Working with leading health specialists, NHS England brings together expertise to ensure national standards are consistently in place across the country.

Monitor

Monitor regulates all providers of NHS-funded services. Its 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 patients' interests. From 1 April 2016, Monitor is operating as part of **NHS Improvement (NHSI),** which brings together NHS Trust Development Authority and Monitor under common leadership so there is a single, consistent approach to supporting continuous improvement in the quality and efficiency of NHS Trusts and Foundation Trusts. Whilst Monitor and NHS TDA remain separate legal entities, they have a single, shared executive leadership operating as a single organisation with shared Board membership.

Care Quality Commission (CQC)

The CQC is the independent regulator of health and adult social care providers in England. It ensures that only those providers who have made a legal declaration to meet the 'fundamental standards of quality and safety' and satisfy the registration process may provide care. Once services are registered, CQC monitors and inspects them against the fundamental standards.

National Institute for Health and Care Excellence (NICE)

NICE 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 HSCIC collects, analyses and publishes national data and statistical information. It also delivers the national IT systems and services to support the health and care system. It will be known as NHS Digital from July 2016.

Human Fertilisation and Embryology Authority (HFEA)

The HFEA is the UK's independent regulator of treatment using gametes and embryos, and embryo research. It sets standards for, and issues licences to, UK fertility clinics and all UK research involving human embryos. It also determines the policy framework for fertility issues.

Human Tissue Authority (HTA)

HTA regulates and ensures that human tissue is used safely and ethically with proper consent. It regulates organisations that remove, store and use tissue for a variety of purposes.

Health Research Authority (HRA)

The HRA promotes and protects the interests of patients and the public in health and social care research. It protects patients and the public from unethical research while enabling them to benefit from participating in research by simplifying the processes for ethical research.

Health Education England (HEE)

HEE is the national leadership organisation for ensuring that the education, training and development of the healthcare workforce support the highest quality public health and patient outcomes.

Our Special Health Authorities

NHS Trust Development Authority (NHS TDA)

The 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 other organisational change. It oversees and supports improvement in NHS trusts to secure sustainable, high quality services for the patients and communities they serve. From 1 April 2016, NHS TDA is operating as part of **NHS Improvement** (see detail above regarding NHSI and Monitor).

NHS Business Services Authority (NHSBSA)

The NHSBSA provides a range of critical business support services to NHS organisations, NHS contractors, patients and the public. Its services include payments to community pharmacists and dentists for their NHS work, the administration of the NHS pension scheme, and the management of NHS Supply Chain.

NHS Litigation Authority (NHSLA)

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

Other bodies included within the Departmental Group

NHS Property Services Ltd (NHSPS)

NHSPS is a limited company wholly owned by the Secretary of State for Health. NHSPS provides strategic and operational management of NHS estates, property and facilities.

Community Health Partnerships Ltd (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.

Genomics England Ltd

Genomics England is a limited company wholly owned by the Secretary of State for Health, set up to deliver the 100,000 Genomes Project. Genomics England will manage contracts for specialist UK based companies, universities and hospitals to supply services on sequencing, data linkage and analysis. It will also strictly manage secure storage of personal data in accordance with existing NHS rules designed to securely protect patient information. Genomics England is funded by the Department of Health in the medium term.

Skipton Fund Ltd

The Skipton Fund was established by the Department of Health on behalf of the Secretary of State for Health to administer an ex gratia payment scheme and make payments to relevant claimants on behalf of UK health administrations to people who were infected with hepatitis C through treatment with NHS blood or blood products prior to September 1991 and other eligible persons.

Other bodies not included in this Annual Report and Accounts

NHS Blood and Transplant (NHSBT)

NHSBT is responsible for the supply of blood, organs, tissues and stem cells. It manages the voluntary donation and processing of around 2 million units of blood per year, as well as organ and tissue donations.

Medicines and Healthcare products Regulatory Agency (MHRA)

The role of the MHRA is described on Page 6.

Our Objectives

14. The Department has for the first time published with our ALB partners, a Shared Delivery Plan (SDP)[1], which sets out the work we are committed to achieving to improve the health and care system over the course of this Parliament to 2020-21. The Department's national partner organisations are key to the successful implementation of the SDP and where they are accountable for delivery, there is a clear line of sight from the SDP to the organisation's business plan through to commissioners, providers and ultimately, patients and the public.

15. The SDP was developed in conjunction with our ministerial team and sets out the strategic direction for the health and care system with clear objectives, milestones and metrics to deliver the Secretary of State's priorities and the NHS Five Year Forward View[2].

Our Shared Delivery Plan Objectives

1. Improving out-of-hospital care
2. Creating the safest, highest quality healthcare services
3. Maintaining and improving performance against core standards while achieving financial balance
4. Improving efficiency and productivity of the health and care system
5. Preventing ill health and supporting people to live healthier lives
6. Supporting research, innovation and growth
7. Enabling people and communities to make decisions about their own health and care
8. Building and developing the workforce
9. Improving services through the use of digital technology, information and transparency
10. Supporting the system more efficiently

16. Work to deliver these objectives incorporates a 10th cross-cutting objective to support the Department's commitments to deliver and support the system more efficiently.

17. To deliver the objectives set out in the SDP, we need to continue to develop our knowledge and understanding of the system, staying in touch with the current realities of health, need, illness and care, and using this insight to develop policies that will enable the system to fulfil its purpose. It was therefore another significant milestone in March 2016 when we reached over 9,200 days 'Connecting' since 2013, with patients, people who use health and care services, and staff, in over 300 frontline organisations.

18. The Connecting programme is a back-to-the-floor scheme to help staff connect to the experiences of patients and people using services. It has been running since June 2013 and was established, in response to recommendations set out in the report into care at Mid Staffordshire NHS Foundation Trust and in recognition of the changing responsibility of the Department to become steward of the health and care system. Alongside the continuing commitment for senior civil servants at the Department to spend time

[1] https://www.gov.uk/government/publications/department-of-health-shared-delivery-plan-2015-to-2020
[2] https://www.england.nhs.uk/ourwork/futurenhs/

'Connecting' each year, staff of all grades are now taking part in placements to experience the frontline of health and care to better inform their work.

19. To support the delivery of the SDP, we have also set out how the Department will be shaped to deliver essential work for the government and society over the next five years and how it will meet the health challenges now and for future generations. We began the process of change during 2015-16, known as DH2020, with the announcement of a change in the strategic focus and future shape of the Department and an associated 30% reduction in the Department's running costs, as announced in the 2015 Spending Review.

Performance Summary

20. The Performance Analysis section details how we have delivered our objectives, as set out in the SDP in 2015-16.

21. As the SDP sets out longer-term objectives, some are more mature in terms of deliverables than others and presentation of performance reflects this. A brief summary of our achievements is included in graphic form following this summary.

22. During 2015-16 we have built substantially on progress already made in **improving the quality of healthcare services**, using innovation, leadership and creativity to foster a culture of quality improvement.

23. We have also embarked upon a **transformation in access to services**, launching the second year of the Prime Minister's GP Access Fund to develop and test innovative ways of improving GP Access; introducing seven day services in hospitals, and developing plans to ensure that the quality of all care can be the same every day of the week.

24. However, this year has undoubtedly been a challenging one for the NHS. The Department's overall performance should be viewed in the context of the key challenges facing the health and care system, including:
    - demographic change, in particular the challenges of an ageing population;
    - rising public expectations, particularly over the opportunities presented by new technologies; and
    - the fiscal challenge of reconciling rising demand with finite resources.

25. Our overwhelming priority for 2015-16 has been to maintain the drive for continuous improvement in the quality and safety of care, whilst managing the financial situation, including the financial sustainability of the NHS.

26. During this period, we have also led the **response to emerging pressures in the health and care system**, including the public health threat of Ebola. As part of the Government's objective to prevent ill health and support people to live healthier lives, we have also introduced a number of public health measures in 2015-16 and have maintained the **UK's leading role at the international level**, in areas such as anti-microbial resistance (AMR) and dementia.

27. We have continued to provide robust evidence through health research to support Government and NHS priorities, commission new research that addresses key health priorities; and encourage investment by the life sciences industry through the Department's National Institute for Health Research (NIHR) system.

Financial Position

28. 2015-16 has been a challenging year for the NHS and for the wider Departmental Group. In financial terms, the NHS has faced significant pressures in meeting increased demand for services, and at the same time, labour cost – particularly labour headcount, has increased at a higher rate than the demand for services during the year. This has made it increasingly difficult for the Department to stay within overall spending controls.

29. To help mitigate the significant financial pressures in the NHS and the impact of the resulting financial deficits on the overall DH control limits agreed by Parliament and HM Treasury, the Department has re-prioritised and recycled central funding from areas where savings have arisen and where there were no committed plans for spending this year. NHS Commissioners also identified areas where non-critical spending could be reduced to offset the NHS provider deficit. Working with the NHS leadership, we have also introduced controls over the price that NHS providers are able to pay for agency staff, to reduce the excessive cost of these resources. With Parliaments approval, we also transferred an additional £0.95 billion of capital budget to revenue budget to offset pressures.

30. The Department's revenue spend is funded from two sources, funds voted by Parliament and a share of National Insurance Contributions paid by employers and employees to HMRC and allocated to the NHS. Parliament voted £95.6 billion to meet our revenue expenditure and, taken together with higher than expected National Insurance Contributions received, this provided an excess of funding over voted revenue expenditure of £0.2 billion (see SOPS note 1.1). Parliament also voted £3.7 billion of capital funding and our expenditure was contained within these amounts (see SOPS note 1.2).

31. However, we exceeded our net aggregate HM Treasury DEL control totals by £0.1 billion. This is explained in more detail in the Financial Performance section of this Annual Report.

32. As a result of the 2015 Spending Review, annual NHS funding will be £10 billion higher in real terms by 2020-21 than in 2014-15; with £3.8 billion of this increase provided to the NHS in 2016-17, which includes the introduction of a £1.8 billion Sustainability and Transformation Fund to support providers to move to a financially sustainable footing, allowing the NHS the space to transform services. This, alongside additional measures such as targeted growth and the impact of the new tariff, should ensure the sector achieves financial balance in 2016-17.

NHS Operational Performance

33. The vast majority of group expenditure supports the delivery of front-line care in the NHS. The NHS employs some 1.3 million staff, having contact with patients and the public in the community, GP surgeries, pharmacies, outpatient clinics, A&E departments and hospitals. Workforce constitutes around a half of the costs of services and as such policies on pay, pensions, workforce numbers, safe staffing and skill mix and their implementation are crucial determinants of service quality, patient outcomes and financial sustainability of the health and care system as a whole.

34. Overall performance against all the NHS access standards has been on a downward trend during 2015-16 with capacity constraints and rising demand having a detrimental impact on NHS operational performance against waiting time standards, and a number of standards were missed. The Department, through its delivery partners including NHS England and NHS Improvement, worked across the system to support the most challenged providers and to take actions designed to stabilise and recover performance. NHS England's NHS Performance Report covers NHS performance against standards for 2015-16 and more detail is included in the Performance Analysis section within this Annual Report.

Departmental Achievements - At a Glance

Commenced **£5.3bn** Better Care Fund

Publication of Carter Review of Productivity

Introduction of smoking ban in cars with children

1 patient recruited every minute into clinical research in the NHS

3,000 Matched whole genomes and clinical records made available

72.5% Category Red 1 Ambulance calls responded to in 8 minutes

31% reduction in greenhouse gas emissions by DH in last 5 years

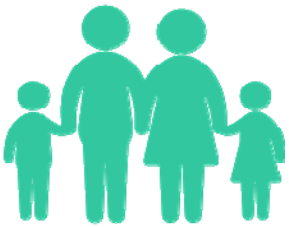
£360 million reduced DH group Administrative costs in 2015-16

Over 9,000 days

DH staff Connecting with the Healthcare system (since 2013)

Soft Drinks Levy Announced in March 2016

Savings of **£1bn** on non-NHS central budgets



10 million responses to the Friends and Family Test

Becoming one of the biggest ever collectors of patient opinion in any health service anywhere in the world

£10bn Increase in annual funding by 2020-21

Icons made by Freepik from www.flaticon.com

Performance Analysis

Introduction

35. This review covers the performance of the health and care system in 2015-16 including delivery of our key objectives and progress against the new SDP and the NHS Outcomes Frameworks[3].

Performance

36. The SDP sets out in one place the work we are committed to achieving with our delivery partners to improve the health and care system over the period to 2020-21. As the SDP sets longer term objectives, some are more mature in terms of deliverables than others and the presentation of analysis below reflects this. Details of our performance against the outcomes framework are set out in the Secretary of State's Annual Report.

Objective 1: Improving out-of-hospital care

37. As part of our objective to reduce the health gap between people with mental health conditions, learning disabilities and autism, and the population as a whole, we are now working with NHS England and other partners to develop an implementation plan for the recommendations arising from the Mental Health Taskforce report, which was published in February 2016[4]. The new Mental Health Services Dataset has also been established, with the first ever provider-level data on children's mental health services being collected from January 2016. The new dataset will provide data for children on outcomes, length of treatment, source of referral, location of appointment and demographic information.

38. During this year we have also funded the largest ever, hard-hitting anti-stigma campaign for teenagers and the first for parents, Time to Change, (November 2015). We have assured and provided funding for the implementation of Local Transformation Plans developed by every CCG covering the full spectrum of children and young people's mental health issues. Local partners are now moving to design services around the needs of children and young people, rather than around organisational boundaries.

39. Working towards the Government's aim to give people easier and more convenient access to GP services, the 37 schemes covered by wave two of the Prime Minister's GP Access Fund have been mobilised during 2015-16, taking the total to 57 schemes covering over 2,500 practices. By the end of March 2016, 18 million patients were thought to be benefitting from improvements at a local level, including appointments in the evenings and on weekends, better use of telecare and health apps, video, telephone and online consultations and more integrated services with a single point of contact.

40. Following the selection of the first New Care Model 'vanguard' sites in early 2015 (comprising integrated primary and acute care systems (PACS); enhanced health in care homes; and multispecialty community provider (MCP) vanguards), a further eight urgent and emergency (UEC) vanguards were announced in July 2015, followed by 13 acute care collaborations (ACC) in September 2015. Over 5 million people in England are now covered by the PACS, MCP and care homes vanguards: around 9% of the population of

[3] https://www.gov.uk/government/publications/nhs-outcomes-framework-2015-to-2016
[4] https://www.england.nhs.uk/mentalhealth/taskforce/

England. These populations are set to benefit from more accessible, proactive, and joined up care due to the vanguard programme.

41. The NHS Five Year Forward View partners published a national support package for the vanguards in July 2015, and are now helping them to develop and implement their new models through the provision of expert advice, hands-on assistance, and shared learning. The vanguards have also had access to a transformation fund and jointly received more than £130 million in 2015-16, following the submission of value propositions setting out the case for investment in the new care model for the local health system.

42. As part of our aim to join up home services, care services, surgeries and hospitals through integration of services, and in conjunction with our delivery partners we have also successfully delivered the first year of the Better Care Fund (BCF), supporting all areas in England to agree and implement plans to create pooled funds totalling £5.3 billion and integrate a range of health and social care services for their local populations. We have agreed and published an updated BCF policy framework with cross-government partners, NHS England, the Local Government Association (LGA) and Association of Directors of Adult Social Services (ADASS) for 2016-17.

Commenced **£5.3bn** Better Care Fund

43. The Department has put in place an effective legislative framework for integration, delegation and devolution of health and social care functions: the Cities and Local Government Devolution Act provides local areas with a wider range of options to support local transformation and we are now working with NHS England and other national partners to support areas with devolution deals to progress their plans for health and social care.

44. In social care, we have supported the work of the Social Care Nursing Taskforce and Skills for Care and oversaw the introduction of the Care Certificate for all new workers in the sector. Actions have been put in place to support the care market and we have successfully transferred responsibility for oversight of the provider market to the CQC. Working in partnership with the LGA and ADASS we have supported local authority implementation of the Care Act and successfully moved the programme into the core business of the Department. We have put in place a programme to build the evidence base to develop a new cross-Government Carers Strategy and launched the digital call for evidence for the strategy in March. We also made a strong case for additional funding for adult social care, which resulted in a Spending Review settlement that gives local authorities access to up to £3.5 billion additional funding a year by 2019-20.

Objective 2: Creating the safest, highest quality healthcare services

45. We are working to ensure that care is as safe, compassionate and effective as possible. As part of that aim, in July 2015 we accepted the recommendations made by the Freedom to Speak Up consultation, the Public Administration Select Committee report on investigating clinical incidents in the NHS and the Morecambe Bay Foundation Trust Investigation. We have also published the Government's response to the No

Voice Unheard, No Right Ignored Green Paper consultation (November 2015)[5] and published the progress report on the new approach to care in the last days and hours of life, one year on from the 'One Chance to Get it Right' report (July 2015)[6].

46. In March 2016, at the first ministerial-level Global Patient Safety Summit, we announced plans to improve NHS safety and transparency. This included; legal 'safe spaces' to support and protect those co-operating with investigations, to help bring new openness to the NHS's response to tragic mistakes, a new annual 'Learning from mistakes league' to identify the level of openness and transparency in NHS providers for the first time, and a new system in England and Wales whereby expert medical examiners will independently review and confirm the cause of all deaths[7].

47. Working with and through our delivery partners, we established the Healthcare Safety Investigation Branch (HSIB) from 1 April 2016 to carry out a small number of the most complex investigations and provide advice to the NHS to improve the quality of the much larger number of local patient safety investigations, bringing forward the Health Secretary's aim to create a 'safe space' as a feature of its investigations.

48. During 2015-16, we were awarded a share of government funding to more than 90 trusts, to invest in new maternity safety equipment, as part of the government's campaign to halve the number of stillbirths, neonatal deaths, maternal deaths and brain injuries occurring during or soon after birth, by 2030. In February 2016 we also published the independent national maternity review, which sets out proposals designed to make maternity care safer and give women greater control and more choice.

49. We have also unveiled plans for safer 7-day dementia service, including: greater transparency to allow people with dementia and their families to compare the quality of dementia care in their local area; standards of dementia care in CQC inspections; and a personalised care plan for every person with dementia.

50. We have supported the Independent Cancer Taskforce to publish its report, setting out a vision for cancer services in England over the next five years, and to take forward the recommendations from this report, NHS England is working with partners across the health system and has appointed a National Cancer Director to lead on implementation, as well as new cancer vanguards to redesign care and patient experience.

51. We have continued to ensure the CQC regulates and rates individual providers, with 11 out of a total of 27 Trusts exiting Special Measures; of these, three are now rated as 'Good' by the CQC.

52. We have also made good progress towards delivering seven day services in hospitals. The key clinical standards that must be achieved have been defined and set out for NHS providers, and cover access to initial consultant assessment, diagnostics and consultant-led interventions and ongoing review by a consultant.

[5] https://www.gov.uk/government/consultations/strengthening-rights-for-people-with-learning-disabilities
[6] https://www.gov.uk/government/publications/improvements-to-care-in-the-last-days-and-hours-of-life
[7] https://www.gov.uk/government/consultations/death-certification-reforms

Objective 3: Maintaining and improving performance against core standards while achieving financial balance

53. The NHS has faced a significant financial challenge in 2015-16, with the NHS provider sector ending the year with an approximate net £2.45 billion financial deficit, this is detailed separately in the financial performance summary section.

£10bn
Increase in annual funding by 2020-21

54. Working with HM Treasury, the Department secured a £10 billion real terms increase in annual NHS funding in England by 2020-21, of which the NHS will receive £3.8 billion more in 2016-17 and almost £6 billion within two years.

55. The following section covers activity and performance of the NHS in-year on emergency care, elective care and waiting times.

NHS Operational Performance against waiting time standards

56. Capacity constraints and rising demand had a detrimental impact on NHS operational performance against waiting time standards during 2015-16[8], and a number of standards were missed. The Department, through its national partners including NHS England and NHS Improvement, worked across the system to support the most challenged providers and to take actions designed to stabilise and recover performance.

57. CCGs received £400 million of funding for operational resilience in their baselines at the start of the financial year to prepare early for winter. During 2015-16, providers began the transformation of urgent and emergency care services necessary to balance demand and capacity and optimise patient flow, by implementing 'Safer, Faster, Better' guidance[9] and making high impact interventions[10] designed to relieve pressure on A&E departments. In addition, the Emergency Care Improvement Programme (ECIP) was established to offer practical support to 28 providers with the most challenged performance against the A&E waiting times standard.

58. Promoting patient choice of elective care and supporting the use of contracting to maximise elective capacity (including contracting to independent sector partners where appropriate), are supporting the demand management of elective pathways. Since June 2015, changes to the elective waiting time standards allowed providers to focus on treating those patients waiting the longest. Improvement plans have been developed for providers facing the greatest challenges on elective pathways and regional teams are actively performance managing providers against their plans, escalating and intervening as appropriate. The Intensive Support Team is working with the most challenged providers and action is being taken to improve the quality of data that trusts use to manage elective pathways.

59. The Secretary of State accepted all of the recommendations made by NHS England's Medical Director, Sir Bruce Keogh, following his review of waiting time standards in June

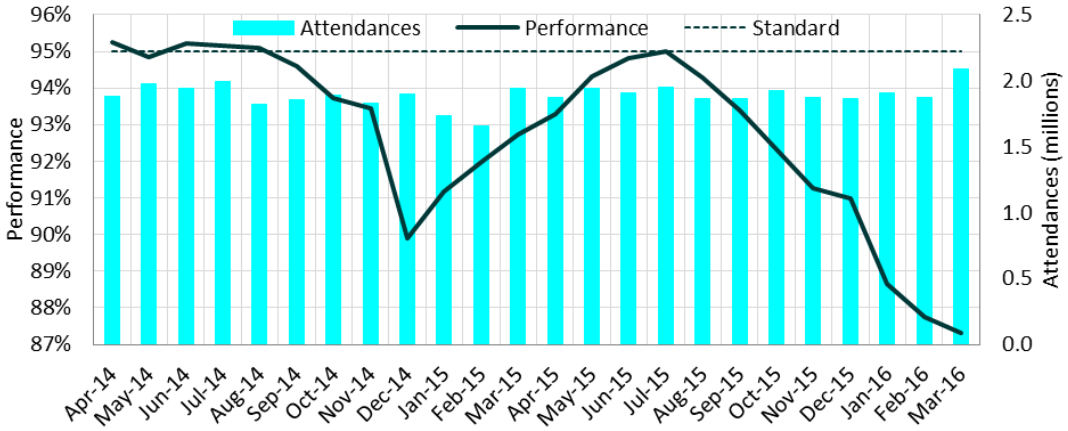
[8] https://www.england.nhs.uk/statisrics/statistical-work-areas
[9] https://www.england.nhs.uk/wp-content/uploads/2015/06/trans-uec.pdf
[10] https://www.england.nhs.uk/wp-content/uploads/2015/04/resilience-planning-assurance-letter.pdf

2015[11] to ensure they make sense for patients and are well designed. The legal right to a maximum 18 week waiting time from referral for non-urgent conditions had been monitored with three separate standards, which could be confusing and give rise to incentives to concentrate on patients recently added to the waiting list rather than those waiting longer. The review included the recommendation to abolish the referral to treatment (RTT) admitted and non-admitted standards, and to focus on the remaining RTT incomplete pathway standard. This change was implemented in practice from June 2015 and enacted in legislation from October 2015. In addition, the review recommended that performance statistics should be published together on one day each month, and this change was made with the publication of June 2015 data in August 2015. In line with this change, publication of A&E performance moved from weekly to monthly and publication of cancer performance from quarterly to monthly.

60. National performance for **A&E waiting times** 2015-16 as a whole was 91.96%, not meeting the standard that 95% of patients should be admitted, transferred or discharged within four hours of arrival in an A&E department, and lower than 2014-15 when it was 93.6%. The standard was not met in 11 months in 2015-16.

61. The number of A&E attendances increased by 2.5% from 22.4 million in 2014-15 to 22.9 million in 2015-16. Over the same period, the number of emergency admissions from A&E increased by 3.1% from 4.0 million to 4.1 million. Hospital trusts reported that A&E departments are dealing with higher acuity patients requiring admissions and that bed shortages due to delayed transfers of care were impacting patient flow. The number of bed days lost because of delayed transfers of care increased by 11.4% from, 1.6 million in 2014-15 to 1.8 million in 2015-16.

Figure 3: A&E waiting times and activity, 2014-15 and 2015-16



62. **Ambulance response times.** The number of Category A calls resulting in an ambulance vehicle arriving at the scene of the incident increased by 6.8% from 3.1 million in 2014-15 to 3.3 million in 2015-16, reflecting the increasing demand on the ambulance service who also continue to face recruitment and retention challenges. In light of this demand for ambulance services, the Secretary of State authorised NHS England to explore whether changes to the way

[11] http://www.england.nhs.uk/wp-content/uploads/2015/06/letter-waiting-time-standards-sbk.pdf

that the ambulance service responds to calls could help improve patient outcomes.

63. In February 2015, a dispatch on disposition pilot was introduced in the London and the South Western ambulance services, allowing call handlers more time to assess 999 calls that are not immediately life threatening before a resource is dispatched, ensuring a more appropriate response based on clinical need. The pilot was extended to four more ambulance services in October 2015: North East, South Central, West Midlands and Yorkshire. This means that national performance for Category A calls that are serious but less time critical (Red 2) and Category A calls that require transportation (A19) are not comparable to earlier data. An evaluation of the pilots is expected in summer 2016, following which the decision will be taken as to whether dispatch on disposition is rolled out nationally.

64. The national standards are that 75% of Category A Red 1 calls (immediately life threatening) and Category A Red 2 calls (serious but less time critical) should receive a response within eight minutes, and all Category A calls requiring an ambulance vehicle able to transport the patient should receive a response within 19 minutes. All three standards were missed for 2015-16 as a whole, with performance of 72.5% for the Red 1 standard compared to 71.9% in 2014-15, 67.2% for the Red 2 standard compared to 69.1% in 2014-15, and 92.6% for the transportation standard compared to 93.9% for 2014-15, and were missed for 10, 11 and 12 months of 2015-16 respectively.

Figure 4: Red 1 and Red 2 response times, 2014-15 and 2015-16

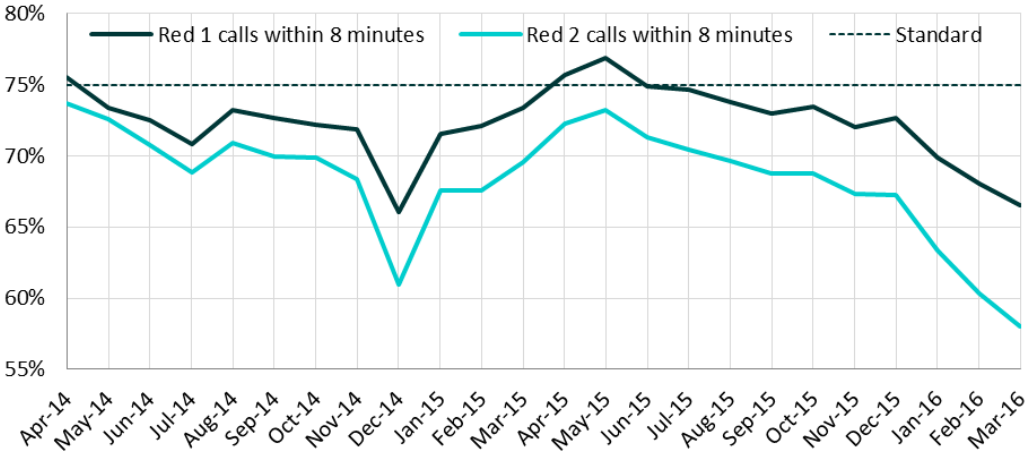
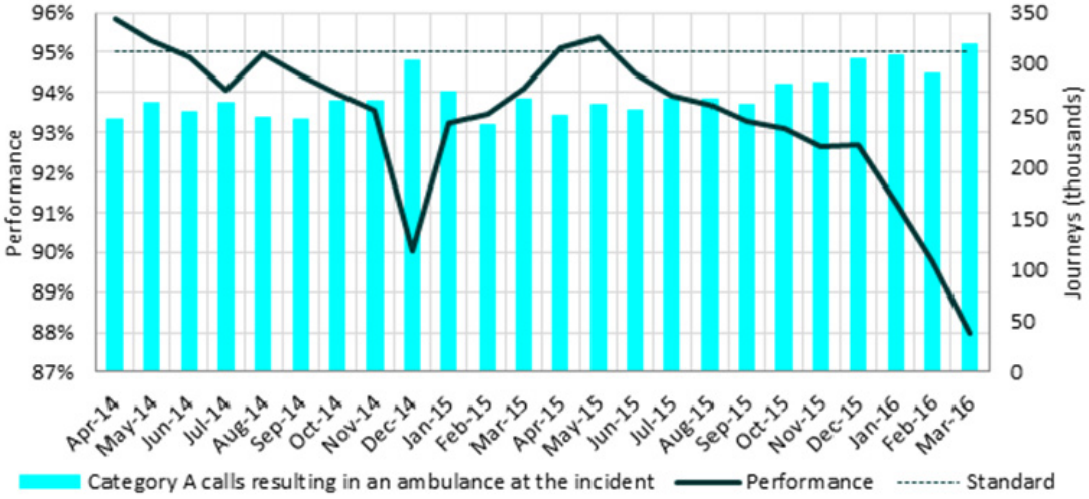
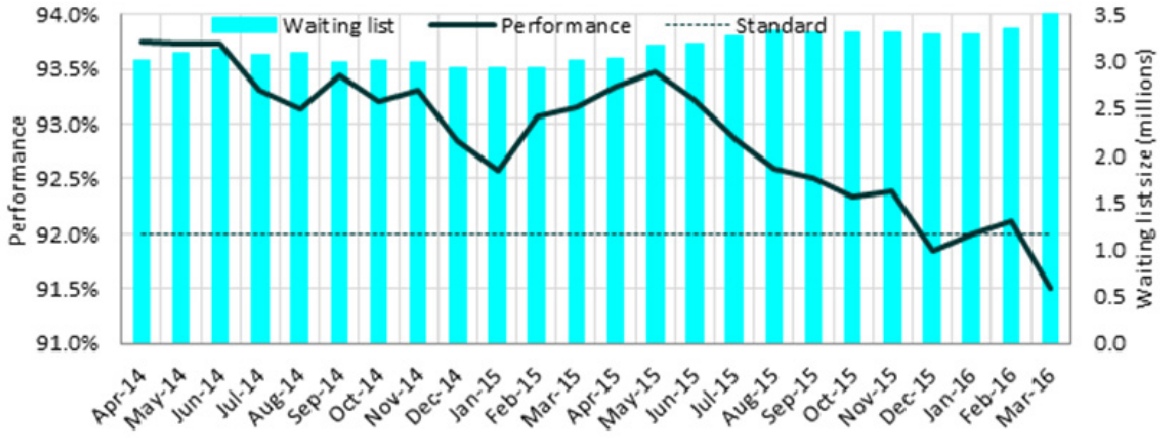


Figure 5: Category A19 response times and activity, 2014-15 and 2015-16



65. Elective waiting times are monitored against the **referral to treatment (RTT) incomplete pathway standard** that 92% of patients still waiting to start consultant-led treatment for non-urgent conditions at the end of the month should have been waiting within 18 weeks from referral. The standard was not met in 3 months in 2015-16. The number of clock starts (demand) is estimated to have increased by 5.0% between 2014-15 and 2015-16, whilst the number of completed pathways increased by 3.8% over the same period, with the result that the waiting list continued to grow during 2015-16 to just over 3.5 million at the end of March 2016. The number of patients waiting more than 52 weeks to start treatment also increased, from 413 in April 2015 to 865 in March 2016, despite the ambition that it should be reduced to as close to zero as possible.

Figure 6: Percentage of patients on RTT incomplete pathways waiting within 18 weeks from referral to start consultant-led treatment, 2014-15 and 2015-16



66. Early diagnosis and treatment are crucial to improving survival rates for cancer, and eight **cancer waiting time standards**[12] cover different elements of the pathway to ensure patients benefit from better access to cancer services.

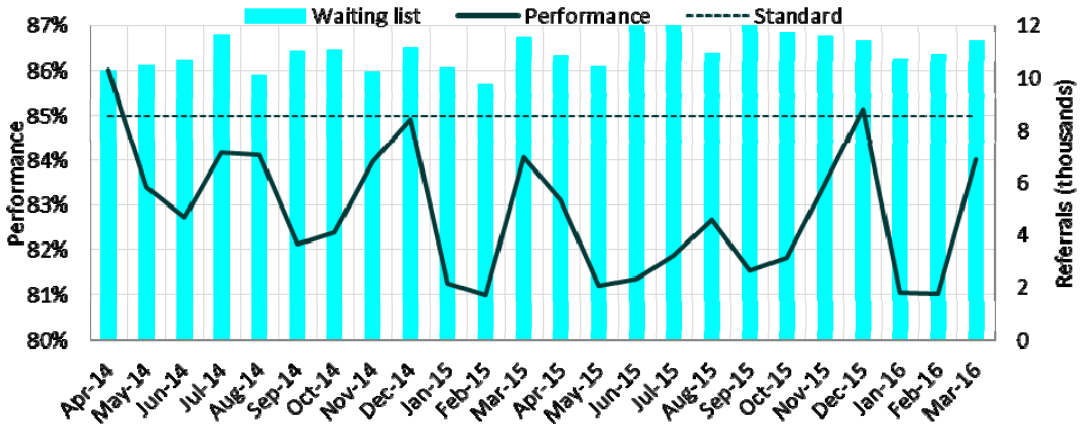
67. The standard that 85% of patients begin first treatment within 62 days of urgent GP referral for suspected cancer was not met in 11 months of 2015-16, although there were signs that performance was beginning to recover towards the end of the year. Demand continued to rise, with the number of urgent GP referrals for suspected cancer increasing by 10.9% from 1.5 million in 2014-15 to 1.7 million, and the number of patients on 62 day pathways starting first treatment increasing by 5.9% from 129,000 in 2014-15 to 136,000 in 2015-16. Delays in diagnostic tests, especially in endoscopic procedures, also added to the pressures in delivering the 62 day standard. The first cohort of an additional 200 non-medical endoscopists funded by HEE began training in January 2016, and will significantly

[12] 93% of patients to see a specialist for suspected cancer within two week wait of an urgent GP referral;
- 96% of patients to begin first treatment within 31 days of decision to treat for cancer;
- 85% of patients to begin first treatment within 62 days of an urgent GP referral for cancer;
- 93% of patients to see a specialist within two weeks of referral for investigation of breast symptoms, where cancer is not initially suspected;
- 98% of patients to be treated within 31 days from a decision to treat to a subsequent treatment for cancer (anti-cancer drug regimen);
- 94% of patients to be treated within 31 days from a decision to treat to a subsequent treatment for cancer (radiotherapy);
- 94% of patients to be treated within 31 days from a decision to treat to a subsequent treatment for cancer (surgery);
- 90% of patients to be treated within 62 days from a national screening service to a first treatment for cancer.

increase endoscopy capacity to support improvement in diagnostic test and cancer waiting times.

68. The standard that 96% of patients should begin first treatment within 31 days of a decision to treat also includes patients who are not referred urgently by their GP but whose cancer is diagnosed in emergency or other contexts. It was met in every month of 2015-16, as were the other standards with a few exceptions. The standard that 93% of patients should be seen by a cancer specialist within a maximum of two weeks from urgent GP referral where cancer is suspected was missed in April 2015, and the standard that 93% of patients should be seen by a specialist within a maximum of two weeks from referral for investigation of breast symptoms, even if cancer is not initially suspected, was missed in seven months of the year.

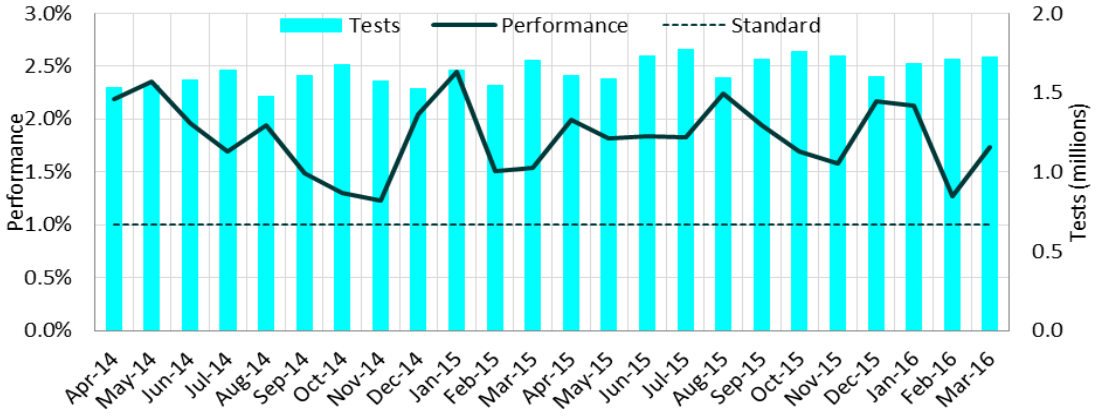
Figure 7: 62 day cancer waiting times and activity, 2014-15 and 2015-16



69. Waiting times for **diagnostic tests** are an important contributor to elective (including cancer) waiting times, because the majority of patients require a diagnostic test to determine whether further treatment is necessary. The standard that less than 1% of patients should be waiting more than six weeks for a diagnostic test at the end of the month was not met in any month for the 15 diagnostic tests measured[13], although the average (median) waiting time remained unchanged at two weeks. Demand pressures were again a significant factor, with the number of tests carried out increasing by 6.1% from 19 million in 2014-15 to 20.2 million in 2015-16.

[13]Monthly performance and activity data are collected for 15 diagnostic tests: Magnetic Resonance Imaging; CT; Non Obstetric Ultrasound; Barium Enema; Dexa Scan; Audiology Assessments; Echocardiography; Electrophysiology; Peripheral Neurophys; Sleep Studies; Urodynamics; Colonoscopy; Flexi Sigmoidoscopy; Cystoscopy; Gastroscopy.

Figure 8: Diagnostic test wait times and activity, 2014-15 and 2015-16



Objective 4: Improving efficiency and productivity of the health and care system

70. 2015-16 saw the publication of the Carter Review of productivity in NHS hospitals[14], showing how NHS hospitals can save money and improve care, and the announcement in December 2015 of the £1.8 billon sustainability and transformation fund, which will give NHS the resources it needs as part of the Five Year Forward View to sustain services and help challenged hospitals to achieve financial balance while focusing on changing the way they provide high quality care for patients.

71. We have continued to deal with immediate financial challenges and planning for longer-term efficiencies to ensure the best use of the NHS's budget and create the financial stability needed to meet the demands of today's and tomorrow's patients. During 2015-16 we set out new rules to tackle agency staff spending and limit the use of expensive management consultants as part of new financial controls to cut down on waste in the NHS. The amount hospitals spend on management consultants reduced by £42 million from Q2 2014-15. In September 2015 the Department announced a new Multidisciplinary Temporary Healthcare Personnel Agreement that will provide the NHS with a flexible, single solution to recruit temporary healthcare staff and help to reduce spend on agency staff.

72. We launched the Immigration Health Surcharge, along with incentives and support to help Trusts with recovery, and produced materials and guidance to help NHS trusts manage overseas visitors and migrant charging. We have also sought views through consultation on proposed changes to further extend charging for overseas visitors and migrants who use the NHS, including changes in primary care, secondary care and community healthcare, and current residency requirements.

73. We have also delivered reductions in the Departmental administration spend. The Departmental Group has increased its income from external sources, for example from sales of goods and services and income from overseas patients.

74. However, we received less income from pharmaceutical companies under the Pharmaceutical Price Regulation Scheme (PPRS) for 2015-16 than expected. The estimate

[14] https://www.gov.uk/government/publications/productivity-in-nhs-hospitals

taken into account in setting the NHS England budget for 2015-16 was higher than the actual income received by the Department. The reason for this appears to be that spend not controlled by the PPRS cap is growing at a faster level than controlled spend. In particular, imports of medicines from outside the UK by parallel importers are growing. The switching of products from the PPRS to the statutory scheme is another factor in reducing expected income, as is the agreement between the Department and the industry to resolve a dispute on the treatment of spend on the Cancer Drugs Fund.

Objective 5: Preventing ill health and supporting people to live healthier lives

75. We made robust preparations for Winter 2015-16, including flu vaccinations and the rollout of the childhood vaccine to two year cohorts of primary school children, representing the largest school-based vaccination programme ever in England.

76. We have also taken further steps in tobacco control across 2015-16, overseeing the entry into force of the ban on smoking in cars with children and publishing guidance and a self-assessment framework, through PHE, for NHS mental health trusts to develop local action to reduce smoking and use of tobacco. We saw over 215,000 smokers sign up to Stoptober 2015 and introduced an age-of-sale provision for e-cigarettes and proxy purchase provisions, making it an offence for adults to buy e-cigarettes and tobacco products for under-18s. During the year, the Department also consulted on draft regulations for the sale and manufacture of tobacco products, seeking the public's views on implementing the revised EU Tobacco Products Directive, and reported on the responses received and the key themes that emerged in response to this consultation. Publication of a PHE commissioned expert independent evidence review on e-cigarettes has also influenced debate on e-cigarettes worldwide.

Introduction of smoking ban in cars with children

77. We have continued to tackle obesity, including childhood obesity, and encouraged businesses and other influential organisations to help improve public health. We provided expert health evidence from PHE to HM Treasury for the Soft Drinks Levy, which was announced in March 2016 and have continued to reduce salt through a voluntary programme of structured reformulation: the latest data published in March 2016 shows adult salt intakes in England have reduced by 11% from 2005-06 to 2014.

Soft Drinks Levy
Announced in March 2016

78. Among other measures to prevent ill health and support people to live healthier lives, we have also published the UK Chief Medical Officers' infographic on physical activity, to highlight some of the benefits of physical activity; published a consultation on new low-risk alcohol drinking guidelines from the UK Chief Medical Officers, and developed an action plan for improving the prevention, detection and management of high blood pressure in England. This year has also seen the launch of the Healthier You: NHS Diabetes Prevention Programme (NHS DPP), which will identify those at high risk of diabetes and refer them onto an evidence-based behaviour change programme.

79. This year we have enabled England to be the first country in the world to introduce a Meningitis B vaccination programme for infants using the Bexero vaccine and also

became the first country to introduce legislation to allow treatment to prevent the transmission of serious mitochondrial disease from mother to child.

80. We continue to ensure that the UK continues to have a leading role in the global fight against dementia: October 2015 saw the launch of the Dementia Discovery Fund, and in 2015-16 we also announced the appointment of the UK's new Dementia Envoy; formally launched Dementia Friendly Communities; and published the implementation plan for how the Prime Minister's Challenge on Dementia 2020, which aims to make England the world-leader in dementia care, research and awareness by 2020, will be met.

81. At the international level, we have helped to secure international agreement on the new Global Action Plan on AMR, endorsed by the World Health Assembly in May 2015 and begun work to deliver the Fleming Fund to strengthen surveillance of drug resistance and laboratory capacity in developing countries. We have also developed a Rapid Support Team of public health experts to be deployed to investigate disease outbreaks and put in place a £120 million programme to develop vaccines to prevent and respond to future disease outbreaks. The Fund amounts to £265 million over five years and is part of over £460 million of Official Development Assistance (ODA) allocated to the Department to fund global health security programmes to improve the lives of people in the poorest countries. In July 2015 the Department published (with Defra) the first ever "One Health" surveillance report, bringing together UK data on antibiotic resistance in key bacteria common to animals and humans, together with the amount of antibiotics sold for animal and human use. In the same month the Department published a revised Code of Practice on the prevention and control of infections, strengthening the links to antimicrobial resistance. There was a 7.9% reduction in antibiotics prescribed in primary care across England between April and December 2015.

Objective 6: Supporting research, innovation and growth

82. We have continued to increase the health and wealth of the nation through health research funded via the Policy Research Programme and the Department's National Institute for Health Research (NIHR), and encouraged further investment by the life-sciences industry through the NIHR system. Data published in 2015-16 shows that world-class research infrastructure in the NHS funded by the NIHR generated £130 million of income from industry in 2014-15, and leveraged over £1. 2 billion funding in total, representing the highest ever figure. We continue to provide to patients across the NHS access to high-quality research and novel new treatment options through the NIHR Clinical Research Network, which has recruited over 3 million people to participate in clinical research in the NHS over the past five years. By the end of 2015-16, Join Dementia Research had recruited nearly 17,000 volunteers, with nearly 5,000 enrolled in 135 studies. The total number of people in England recruited into clinical research in the NHS this year equates to more than one patient recruited per minute.

1 patient recruited every minute into clinical research in the NHS

83. Due to delays in delivery due to extensive consultation from the care.data programme, progress of the Clinical Practice Research Datalink (CPRD) and HSCIC in providing timely data to researchers for conducting ethically approved research has been hampered. However, progress on the Health Data Finder - a combined effort from the MHRA, HSCIC, PHE and the NIHR - is addressing this matter and there are signs of improvement.

84. We have provided robust evidence to support government and NHS priorities and continued to commission new research addressing key priorities, including themed calls

for multi-morbidities in older people, AMR and obesity. The Department also published its annual report for 2014-15 on research and development relating to assistive technology, covering research the government has funded to improve equipment for disabled people and older people.

85. We have continued to build on Britain's status as a world leader in clinical research and life sciences to better understand how we diagnose and treat disease and revolutionise our approach to treatment. Our work to promote growth in life sciences has also seen two major life science companies successfully relocate their global headquarters to the UK, and £2 billion of health and life sciences business deals signed during the China state visit to the UK in Autumn 2015.

86. 3,000 matched whole genomes and clinical records were made available to researchers and companies in October 2015, and the collection of rare disease Whole Genome Sequences is running at a steady rate. However, although good progress has been made against all the aims of the 100,000 Genomes Project, to date fewer sequences have been completed than expected. This is due to the operational challenges involved in building both a sample supply pipeline from the NHS and the necessary informatics architecture, as well as the scientific challenges around extracting DNA from cancer samples at scale.

87. In October 2015 we published the interim report of the Accelerated Access Review, which aims to speed up access to innovative drugs, devices and diagnostics that can change NHS patient lives. The Review's full report is expected in 2016-17. Earlier in 2015-16, we also announced with BIS, Innovate UK and the Medical Research Council £18 million of funding for the next generation of medical advances, covering twelve new treatments, diagnostics and medical technologies.

88. We have also set up with the Department for Work and Pensions (DWP) a DH-DWP Work and Health joint unit to develop proposals to trial promising interventions supporting people with long-term health conditions and disabilities to gain/retain employment.

Objective 7: Enabling people and communities to make decisions about their own health and care

89. In 2015-16 we reached the milestone of 10 million responses to the Friends and Family Test, allowing millions of patients to feed back on their experiences of care and treatment in the NHS and generating the biggest ever collection of patient opinion in any health service anywhere in the world.

90. We have rolled out support to CCGs to help them lead a major expansion in the offer and delivery of Personal Health Budgets (PHBs) to people and widen their local offers of personal health budgets beyond NHS Continuing Healthcare and children's continuing care. PHBs give people with long-term health conditions and disabilities more choice and control over the money spent on meeting their health needs.

91. We have also developed the My NHS website as a central web-based tool for accessing comparative performance data on health and social care, including public health.

92. We have continued work to ensure food labelling is implemented to improve the nutrition information available to people to help them make healthier choices and continued ongoing work to increase partnership working between the voluntary and statutory sectors and reduce health inequalities.

93. We published through Monitor research on the impact on patients of a choice of NHS hearing loss services, including how choice has been working in relation to adult hearing services funded by the NHS, and insights for commissioners on whether and how to introduce choice.

Objective 8: Building and developing the workforce

94. Working with and through our delivery partners, we have continued work on the aim of seeing 5,000 more doctors working in general practice by 2020 by launching the GP Workforce 10 Point Plan. In spring 2015, we launched a new national GP returner scheme and in September 2015, we launched a marketing campaign on general practice to attract more doctors into general practice. Recruitment to GP training increased by nearly 100 in 2015 compared to 2014 and 2,296 places have been successfully filled in the first round of recruitment for 2016. The Department has also worked with NHS England to agree, through NHS Employers and the British Medical Association GP Committee, a negotiated package of contractual changes for GPs that will see an additional £220 million put into the contract for 2016-17, stabilising general practice for the future and beginning a process for investment, support and reform in general practice.

95. We have continued to work with NHS Employers to modernise medical contracts in line with the Government's objectives for reforming public sector pay systems and to support the delivery of care across seven days. After a period when the British Medical Association (BMA) has been in formal dispute with employers and the Government, negotiations have progressed under the auspices of ACAS and Junior Doctors voted a new contract endorsed by the BMA leadership. Following a no vote, the Secretary of State took the decision to introduce that contract along with a range of other measures to improve the working lives of junior doctors. He emphasised his willingness to work with the British Medical Association on how the new contract is implemented, extra-contractual issues like training and rostering, and the content of future contracts. Discussions with the BMA on consultant contract reform have been constructive.

96. Health Education England's consultation on the new Nursing Associate role has been published, following the Government's announcement in December 2015 about plans to create a new nursing support role, with nursing associates to work alongside care assistants and registered nurses to deliver hands-on care. The Department also secured the addition of nurses to the Government's Shortage Occupation List on a temporary basis, to help reduce spending on agency workers and ensure safe staffing levels across the NHS.

97. In July 2015 we published the Lord Rose report on leadership in the NHS[15], with recommendations covering training, performance management, bureaucracy and

[15] https://www.gov.uk/government/publications/better-leadership-for-tomorrow-nhs-leadership-review

management support. We are working with ALBs on the Leadership Development and Improvement Strategy, which will be published in Autumn 2016 and will effectively respond to the Lord Rose report. We have continued work to ensure a culture of continuous learning, transparency and support, to support and encourage staff to make changes and to come up with new and innovative ways to provide services.

Objective 9: Improving services through the use of digital technology, information and transparency

98. In June 2015 we published a policy paper on implementing 'Personalised Health and Care 2020', which outlines how data and technology will help transform health and care services over the next five years to support delivery of the NHS 'Five Year Forward View'.

99. We have also published detailed guidance to support CCGs to prepare plans on how their local health and care areas will achieve the ambition of being paper-free at the point of care by 2020, and begun the mass usage of online services for booking GP appointments and prescriptions.

100. Working with our delivery partners we have further developed the My NHS website, bringing together transparent, comparable information on the quality of health and care services in order to improve services, give people more control over their own health and care, support informed choices and provide public accountability.

101. Working with NHS England and the HSCIC, in September 2015, we launched the NHS.UK alpha, the project to transform NHS Choices. The project has already delivered a number of prototypes and set a vision of a digital health and care service that will better connect patients to the information and services they need.

102. Through consultation we have sought the public's views on the responsibilities of the statutory National Data Guardian for health and social care, which will help to ensure that personal confidential data is held and used to support better outcomes from health and care services whilst providing confidence that safeguards are in place to protect personal confidential data.

103. We have also launched a review of information technology in the NHS, looking at ways to improve NHS IT, including electronic health records, to achieve a paper-free health and care system by 2020.

104. As part of the National Information Board's programme of driving forward paperless 2020, all NHS Trusts have undertaken a digital maturity self-assessment, scoring themselves on readiness, capability and infrastructure. The data is hosted by NHS England and the scores are publicly available on NHS England's website and My NHS.

Financial Performance

105. The Department has the largest Departmental Expenditure Limit in government. We consolidate the spending of over 450 health and care organisations and cover a wide range of activities; from front-line treatment of patients, training of medical professionals, public health and social care, through to the running costs of each organisation within the group.

Largest

DEL Budget in Government

106. Spending for all government departments is measured against a set of metrics that are agreed in HM Treasury's Spending Review. Table 1 provides a breakdown of the consolidated spending outturn for all bodies in the Departmental group into the main spending metrics.

Table 1: DH Departmental Expenditure – Spending Metrics

Total Department Expenditure Limit (TDEL)	Total Annually Managed Expenditure (TAME)
£117.25bn	**£28.24bn**
Total spending by DH, excluding AME and DEL depreciation & impairments. (IE RDEL + CDEL - Minus RDEL Depreciation)	Total AME spending by DH, excluding depreciation & impairments. (IE RAME + CAME - AME Depreciation)

Revenue Departmental Expenditure Limit (RDEL)	Capital Departmental Expenditure Limit (CDEL)	Annually Managed Expenditure - Revenue (RAME)	Annually Managed Expenditure - Capital (CAME)
£114.73bn	**£3.63bn**	**£29.21bn**	**£0.01bn**
Current revenue expenditure, net of income, but excluding certain types of provisions and impairments that score to AME	Capital expenditure, e.g. fixed assets additions and capital grants, net of capital disposals must be contained.	A technical measure for items that HM Treasury have deemed to be demand-led or exceptionally volatile or that have no real impact on the fiscal framework, requiring no taxes be raised to cover.	A technical measure for items that HM Treasury have deemed to be demand-led or volatile. For DH, entirely relates to costs associated with the sale of Plasma Resources UK and the Credit Guarantee Finance scheme.

Administration (Admin)
£2.55bn
Administration expenditure, in the main relates to the running costs of all central government bodies, excluding depreciation and the costs of direct frontline service provision.

107. Against our net aggregate HM Treasury DEL control totals, our expenditure exceeded total funding by £0.1 billion as set out in Table 2 below.

Table 2: DH Net Aggregate HM Treasury DEL control totals

	2015-16		
	Budget £m	Outturn £m	*Variance £m*
RDEL	114,523	114,730	*(207)*
CDEL	3,690	3,632	*58*
Net	**118,213**	**118,362**	***(149)***

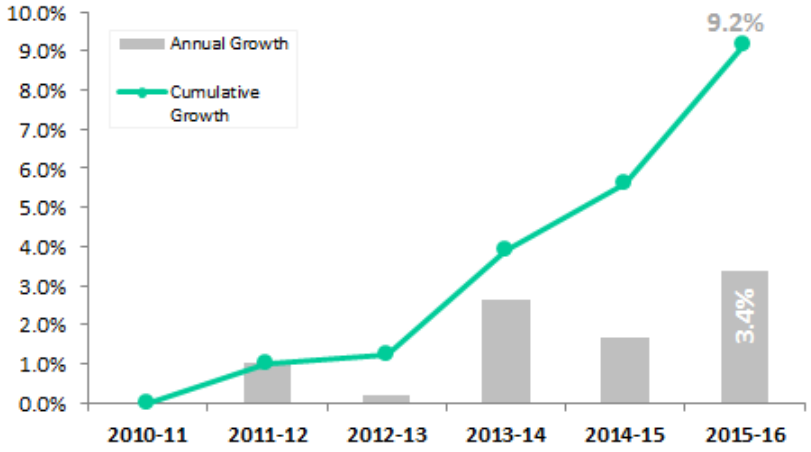
108. The following narrative, with commentary and supporting tables, provides an explanation of the financial performance of the system, including financial outturn against the Department's own spending controls.

Total Departmental Expenditure Limit TDEL

109. The Department's Total DEL (TDEL); a spending measure consistent with the presentation of spending in HM Treasury publications, calculated as the sum of Revenue Departmental Expenditure Limit (RDEL) plus Capital Departmental Expenditure Limit (CDEL) less depreciation. In the Spending Review 2013, the Government re-affirmed its commitment to continue to spend more on the NHS in real terms every year. This commitment is against the TDEL measure and in 2015-16 real-terms spending was 3.4% greater than in 2014-15 and 9.2% greater than in 2010-11.

3.4%
Spending growth in real terms over 2014-15

Figure 9: Real Terms Spending Growth



1. Cumulative growth figures are against the 2010-11 baseline
2. GDP Deflators at 1st July 2016 used to calculate real terms growth

110. TDEL spending continues to grow, both over the previous year and cumulatively over 2010-11. Table 3 confirms the 2015-16 TDEL spending outturn and compares that to previous years.

Table 3: Total Departmental Expenditure Limit Spending

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
TDEL spending	**100,418**	**102,844**	**105,221**	**109,774**	**113,345**	**117,248**
Growth Nominal (£)	-	*2,426*	*2,377*	*4,553*	*3,570*	*3,903*
Growth Nominal (%)	-	*2.4%*	*2.3%*	*4.3%*	*3.3%*	*3.4%*

Revenue Departmental Expenditure Limit (RDEL)

£114.5bn RDEL Budget

111. The Department's total 2015-16 Revenue DEL (RDEL) represents the consolidated revenue spending of all bodies within the four main sectors of the Departmental group - NHS healthcare providers, NHS commissioners, Arm's Length Bodies (ALBs) and the Department's own central budgets.

112. The spending plans for all government departments are submitted to Parliament for scrutiny and approval as part of the Supply Estimates process. The Department receives the majority of its revenue funding via this Supply Estimates 'vote' process, but also receives an element of funding from National Insurance Contributions, which are not voted on by Parliament in the supply estimates process.

113. In 2015-16, our National Insurance Contributions funding was £0.4 billion higher than set out in the Supply Estimate. This has therefore meant that the funding required from the voted element is lower than provided for in the Supply Estimate, resulting in an underspend against the voted budget of £0.2 billion (0.3%) as shown below:

Table 4: Spending v Funding breakdown

	2015-16 £m
RDEL Expenditure	**114,730**
Funded by:	
National Insurance Contributions (non-voted)	*19,316*
Voted Funds	*95,625*
Excess of funding over expenditure	*210*

114. However, overall there has been a small overspend against the total RDEL control of £0.2 billion (0.2%). This overspend is principally due to the increases in NHS provider deficits beyond planned expectations.

115. The following table summarises the RDEL outturn against budget for the past five years –

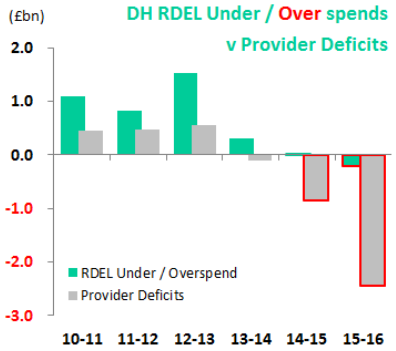
Table 5: Revenue DEL

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
RDEL Budget	98,567	101,092	104,097	106,801	110,556	114,523
RDEL Spending Outturn	**97,469**	**100,266**	**102,570**	**106,495**	**110,554**	**114,730**
Under / (Over) spends (£m)	*1,098*	*826*	*1,527*	*305*	*1*	*(207)*
Under / (Over) spends (%)	*1.11%*	*0.82%*	*1.47%*	*0.29%*	*0.001%*	*(0.18%)*
Of which:						
RDEL Depreciation Ring Fence Outturn	*1,210*	*1,193*	*1,132*	*1,070*	*1,160*	*1,115*
RDEL Non Ring Fence Outturn	*96,260*	*99,073*	*101,438*	*105,425*	*109,394*	*113,616*

RDEL: System Pressures and Mitigations

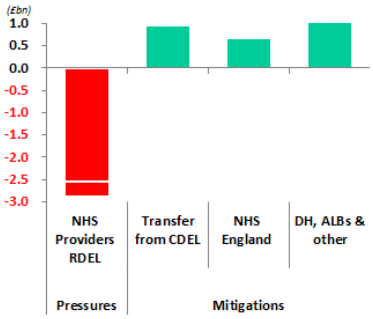
116. In recent years, NHS providers have experienced increasing financial pressures from new drugs and treatments, safer staffing requirements and growing demand for health services as a consequence of an ageing and growing population.

117. NHS provider deficits represent a 'pressure' on the RDEL that requires offsetting 'savings' elsewhere in the Departmental group to ensure spending is contained within the overall expenditure control. The increases in NHS provider deficits over recent years have led to an increasingly tight position against the overall RDEL budget.



118. Initial NHS plans were received in April 2015 and indicated a risk adjusted year-end deficit of £2.1 billion. Monitor and the NHS Trust Development Authority identified potential savings which would restrict the overall deficit to £1.6 billion by restraining the growth in spending on agency staff and increasing income to providers by allowing the use of capital budgets for revenue purposes. However these plans were only partially successful and the NHS providers finished the year with a £2.45 billion deficit.

119. Throughout the year it became clear that significant offsetting mitigations were necessary to ensure financial balance against the RDEL control. The savings achieved included:



- Over £1 billion from Arm's Length Bodies and the Department's own central budgets in areas where underspends have been identified earlier than usual and release of funding from where there were no clear plans for spending;
- A further funding transfer of £0.95 billion from the Capital DEL budget; plus
- Savings of £0.7 billion from NHS England.

120. During the year, the level of payment to local authorities for the Public Health grant was reduced by £0.2 billion, with a matching reduction in the overall Departmental budget. Parliament also granted a further £0.2 billion from the HM Treasury reserve at the Supplementary Estimate, to cover a separate non-NHS related pressure caused by reduced PPRS income.

121. The NHS provider pressures ultimately proved too great to fully mitigate, resulting in the £0.1 billion overspend against net aggregate HMT control totals reported in Table 2 above.

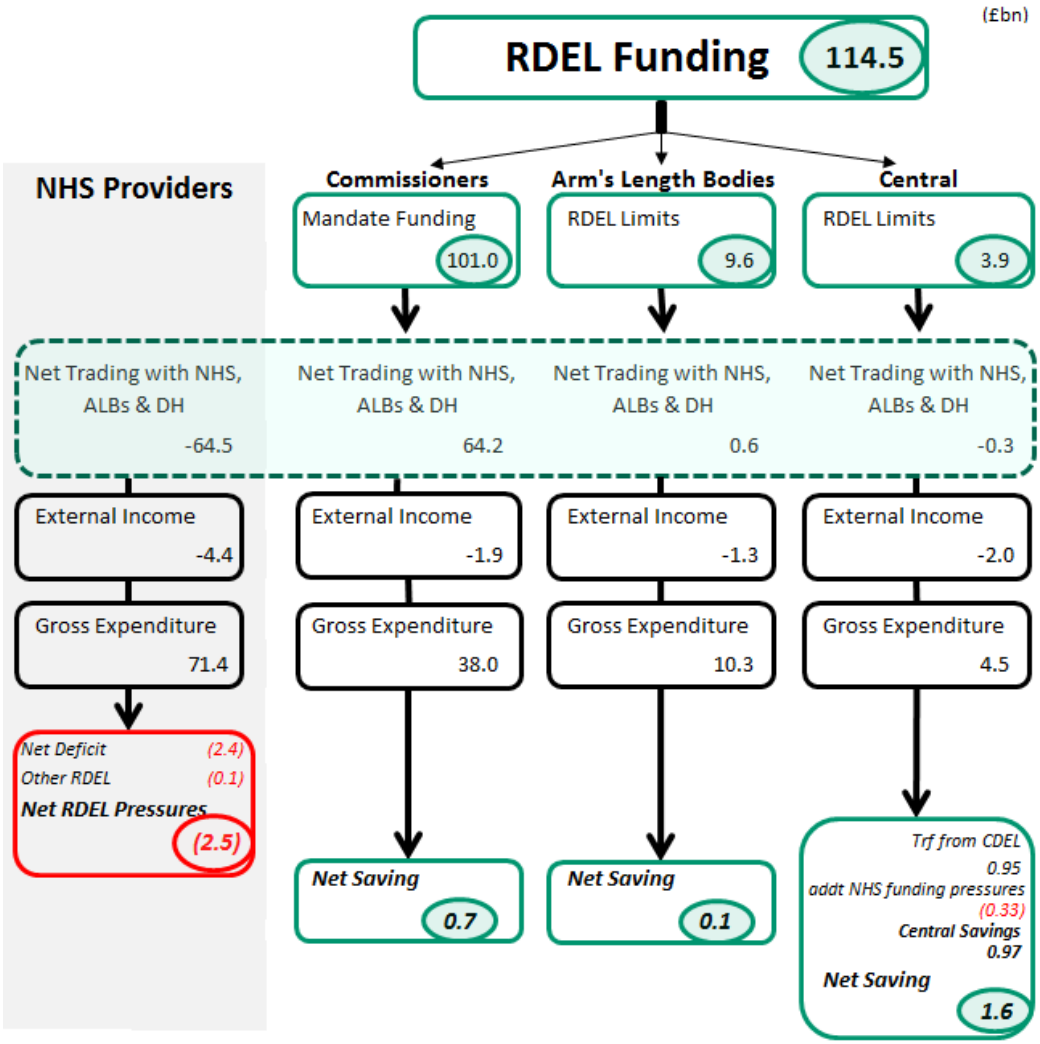
RDEL: Funding Flows and Sector Breakdown

122. The Department's 2015-16 RDEL budget was £114.5 billion. This was allocated directly to NHS commissioners (£101.0 billion), ALBs (£9.6 billion) and our own central budgets (£3.9 billion)[16].

123. NHS healthcare providers are not directly funded, instead they generate income to cover their spending via trading activity with commissioners i.e. commissioners pay providers for each patient seen or treated, taking into account the complexity of the patient's healthcare needs, under a national tariff.

124. Across government, this 'Internal Market' is unique to the Department of Health and adds an additional layer of complexity as all inter-group trading needs to be eliminated on consolidation when preparing the departmental group account (via an 'Agreement of Balances' exercise). Figure 10 below illustrates the complexity of the RDEL spending within the DH group, split by the main sectors.

Figure 10: Revenue DEL – sector breakdown



[16] This figure includes £950 million transferred from CDEL to RDEL at Supplementary Estimates, as per figure 10

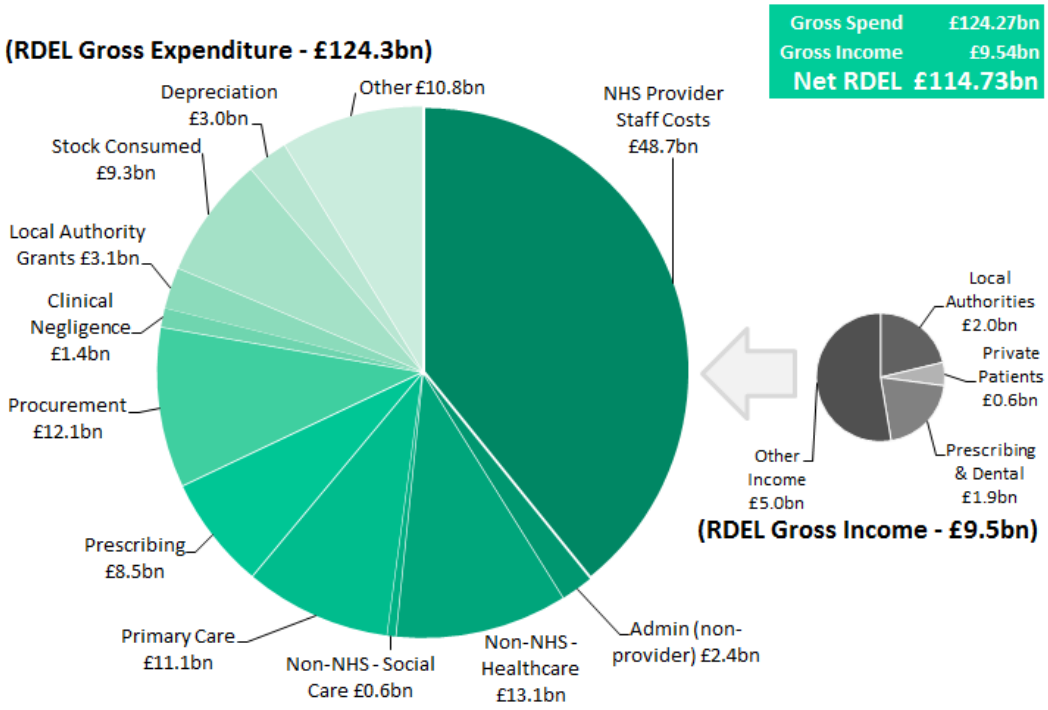
RDEL: Spending Breakdown

125. Over £71 billion of revenue expenditure in the departmental group sits in the NHS provider sector, spent on staff costs, drugs, clinical negligence and procurement of supplies and services to deliver healthcare. Other significant expenditure includes: primary care spending (including general practice, dentistry, ophthalmology, pharmaceutical), public health spending (including grants to local authorities), plus other administration costs from the other sectors within the group.

126. The RDEL control is set net of income and in 2015-16 the departmental group received £9.5 billion of RDEL income from varying sources, mainly received by NHS providers and including prescribing and dental charges, trading with Local Authorities and from treating private patients.

127. The following chart provides an illustration of the major spending areas in the DH group and inter-relationship between the sectors.

Figure 11: Revenue DEL – spending breakdown



RDEL: Future Financial Sustainability

128. The Government has reaffirmed its commitment to the NHS by again committing to increase health funding each year in this parliament, in spite of the continuing fiscal challenges. By 2020-21, the Government will increase funding for the NHS by £10 billion a year in real terms compared with 2014-15, to support the implementation of the NHS's own plan - the NHS Five Year Forward View - to transform services across the country.

129. Significant savings are achievable but do require reducing NHS costs, investment in new models of care, moderating demand increases and tackling diseases earlier, improving income, sustaining social care services and a positive NHS culture driven by excellent leadership. The focus on improving quality and patient safety can also lead to reduced costs in the NHS, from lower readmissions and subsequent treatments.

130. The Department will continue to work together with the health service, our partners and patients to develop key elements of the programme required to deliver the efficiency savings and actions are already underway to support the system to deliver savings. Specifically, 2016-17 will see the introduction of a £1.8 billion Sustainability and Transformation Fund to support NHS providers to move to a financially sustainable footing.

RDEL Administration

131. Within the overall RDEL control limit sits a separate RDEL Administration limit, which covers the running costs of the core Department, commissioning sector (NHS England and Clinical Commissioning Groups) and all of the Department's central government Arm's Length Bodies (ALBs).

1/3
Admin Savings since 2011-12

132. The Department and our ALBs continue to reduce administration costs compared to prior years building on the one third savings delivered as a result of the Health and Social Care Act reforms.

133. Over the course of the Spending Review 2015 period, further efficiencies will be delivered across the sector in line with the settlement.

134. Table 6 shows the administration outturn. Administration spending in 2015-16 has reduced by £0.36 billion (or 13%) compared to 2014-15, maximising the amount of funding available for frontline services.

Table 6: DH Administration

	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
Administration Outturn	3,307	3,502	3,036	2,781	2,421

1. Figures do not include depreciation and as a result will not directly reconcile to Admin outturn as per Statement of Parliamentary Supply (£2,554m).

Capital Departmental Expenditure Limit (CDEL)

135. The Department's total 2015-16 CDEL outturn is the consolidated capital spending of all bodies within the Departmental group.

£3.7bn
CDEL Budget

136. Total CDEL expenditure in 2015-16 was £3.63 billion, compared to a control limit of £3.69 billion, representing an overall underspend of £0.05 billion (1.6%). The following table summarises the total CDEL outturn against budget in each year since 2010-11.

Table 7: Capital DEL

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
CDEL Budget	4,897	4,353	4,495	4,444	4,014	3,690
CDEL Spending Outturn	**4,159**	**3,771**	**3,783**	**4,349**	**3,951**	**3,632**
CDEL Underspend	*738*	*581*	*713*	*95*	*63*	*58*
CDEL Underspend %	*15.07%*	*13.36%*	*15.85%*	*2.15%*	*1.57%*	*1.57%*

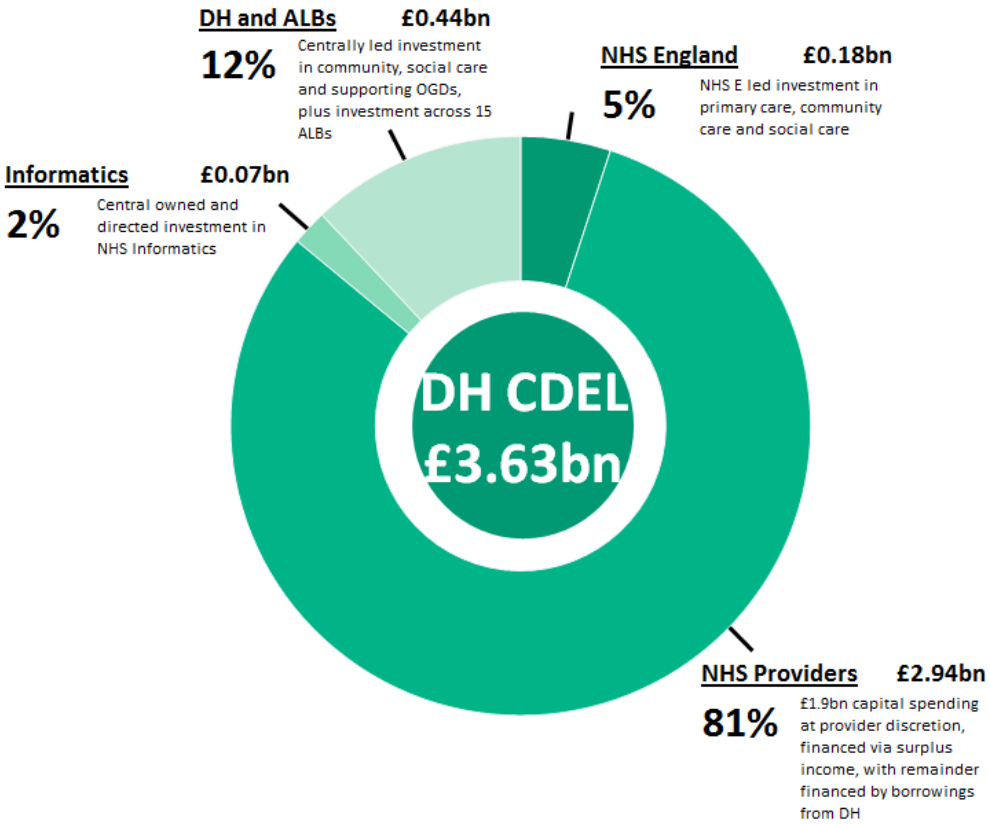
137. As explained above, during 2015-16, £0.95 billion was transferred from the CDEL budget to RDEL to help mitigate the emerging pressures relating to NHS provider deficits.

138. In doing so, the Department looked at all areas of spending and took the opportunity to re-prioritise some spending to support frontline services. The transfer was facilitated by unutilised funds across the system, by releasing resources from areas where there were no clear plans for spending this year.

139. The vast majority of the CDEL budget (81%) is spent by NHS providers. The DH supports this spending by providing financing to NHS providers through loans and Public Dividend Capital, whilst leading on specific initiatives to improve efficiency in the NHS via informatics and technology projects.

140. The following graphic provides a sector breakdown of capital spending in the DH group.

Figure 12: Capital DEL spending breakdown

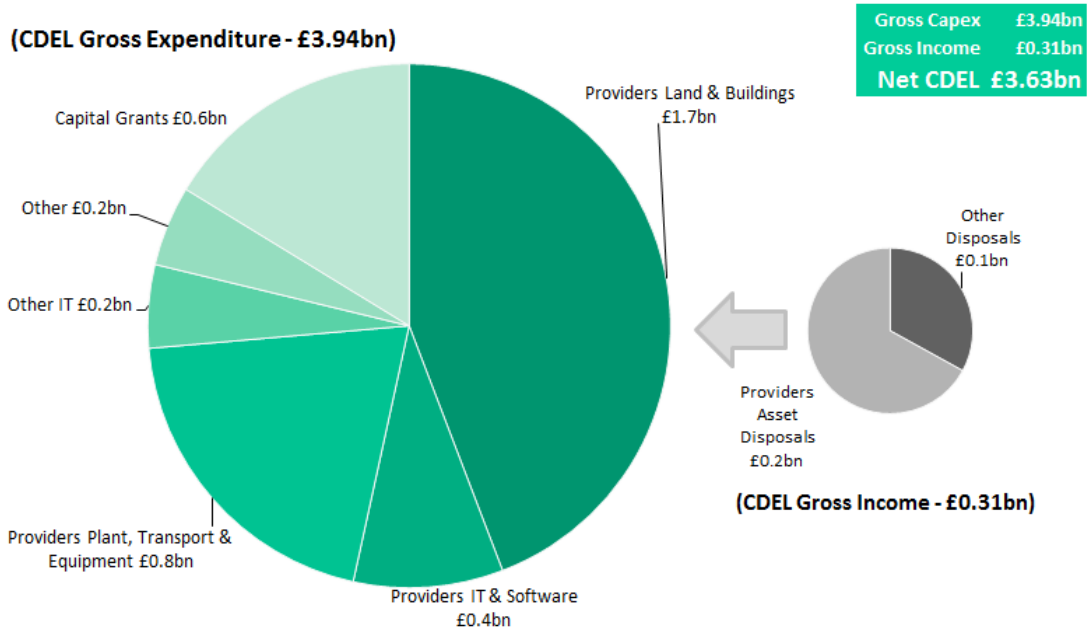


141. Capital spending in NHS providers mostly relates to infrastructure and technology improvements to support the delivering of high quality healthcare.

142. In addition, the DH and NHS England provide capital grants to third party organisations (such as the voluntary sector and local authorities) to support investment in primary, community and social care.

143. The following graph provides a breakdown of the Capital DEL by type of capital expenditure.

Figure 13: Capital DEL spending breakdown



Annually Managed Expenditure (AME)

144. Details of the Department's total 2015-16 AME budget and expenditure are set out in the table below, which shows the Department underspent by £2.1 billion (6.6%) against its final Revenue AME budget in 2015-16 and by £0.006 billion (40%) against the final Capital AME budget.

£31bn
AME Budget

Table 8: Annually Managed Expenditure plans, outturns and under/over spends

	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
Revenue AME Budget	3,943	5,868	5,502	6,606	31,272
AME Outturn	**3,193**	**5,775**	**4,261**	**3,419**	**29,207**
Underspends	*750*	*93*	*1,241*	*3,187*	*2,065*
Underspends %	*19.0%*	*1.6%*	*22.6%*	*48.2%*	*6.6%*
Capital AME Budget	-	-	120	15	15
Capital AME Outturn	-	-	**-70**	**-5**	**9**
Under/(Over) spends	-	-	*190*	*20*	*6*
Under/(Over)spends %	-	-	*158.2%*	*132.9%*	*39.9%*

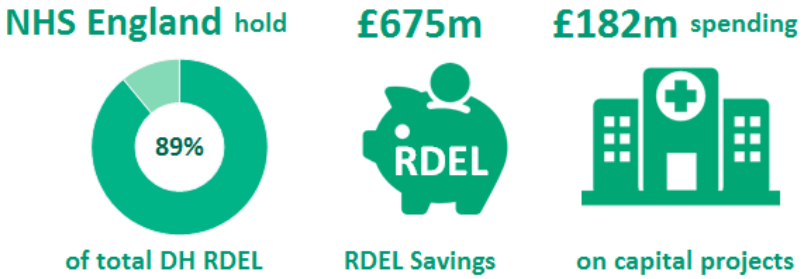
145. The Department's Revenue and Capital AME provision is set annually outside the Spending Review and the related spending is purely impairments and provisions, which have no real impact on the fiscal framework or need for taxes to be raised to cover the spending. The Department's AME spending is not typical to most government

Department's AME spending, which normally will impact on the fiscal framework in the same way as DEL spending.

146. In 2015-16, the AME spending is significantly higher than in previous years. This is entirely due to a change in the discount rate used to measure the value of long term provision liabilities. The change applies market rates in accordance with the relevant commercial international accounting standard, and they are reflective of the low borrowing costs faced by the Government.

147. The adoption of market rates has been encouraged by the statutory independent Financial Reporting Advisory Board. The change in discount rate does not change the underlying future costs that will be incurred by the taxpayer in meeting these obligations; it does not make these liabilities less affordable for government or affect front line public services. It does not affect the National Accounts based fiscal aggregates upon which the government assesses its fiscal performance. Further detail is included in Notes 1.20 and 16 within the Financial Statements.

NHS Commissioners - Financial Performance



148. NHS commissioners' primary responsibility is the planning and purchase of NHS services from all types of healthcare providers to meet the health needs of the population.

149. In "The Government's mandate to NHS England" in 2015-16, Revenue DEL funding (including depreciation) of £101.0 billion was allocated to NHS England to fund these services. This budget is inclusive of £0.79 billion cumulative historical surpluses carried forward, of which NHS England were expected to utilise up to £0.4 billion to support spending non-recurrently, leaving a minimum cumulative surplus at 31 March 2016 of £0.39 billion.

150. During the year the DH provided additional funding of £0.55 billion, with £0.43 billion transferred to Public Health England, resulting in a year-end funding limit of £101.05 billion.

151. Additionally, a Capital DEL funding allocation of £0.3 billion was agreed.

152. Against these limits, NHS England reported a RDEL underspend of £0.67 billion and a CDEL underspend of £0.12 billion.

Table 9: NHS England RDEL outturn

i) Revenue DEL -									
	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	166	101,275	**101,441**	166	101,275	**101,441**	*0*	*0*	***0***
Surplus	0	-393	**-393**	-76	-992	**-1,068**	*76*	*599*	***675***
Total	166	100,882	**101,048**	90	100,283	**100,373**	***76***	***599***	***675***
ii) Capital DEL -									
							Plan £m	Outturn £m	*Var £m*
Mandate Funding							**300**	**182**	***118***

153. The vast majority of healthcare services are purchased from NHS providers (NHS Trusts and Foundation Trusts); however £12.2 billion of these types of services were purchased from non-NHS healthcare providers in 2015-16. These non-NHS providers include Local Authorities, voluntary sector organisations and private sector providers. The following table provides a breakdown of this spending and compares to previous year.

Table 10: Purchase of healthcare from non-NHS providers, breakdown

	2014-15 Restated[3] £m	2015-16 £m
Independent Sector Providers	8,067	8,722
Voluntary sector	526	641
Local authorities	1,774	2,869
Total Spend on all non-NHS bodies	**10,367**	**12,232**
Total RDEL	***110,554***	***114,730***
Spend with private sector as % of total RDEL	*7.3%*	*7.6%*
Spend on all non-NHS bodies as % of total RDEL	*9.4%*	*10.7%*

1. The numbers above have been collected separately from audited accounts data and may include estimations.
2. Numbers shown in the table above have been adjusted to show the DEL impact of the spending. This adjustment specifically relates to Continuing Health Care provisions which are attributed to expenditure in accounts as provisions arise but only impact on the DEL when paid.
3. NHS England have reviewed the estimations made in the 2014-15 numbers as previously reported and have corrected some categorisations, resulting in the re-stated 2014-15 breakdown included above.

154. Further commentary, together with the consolidated accounts of the NHS England group, is published on NHS England's website.

NHS providers - Financial Performance

155. At the financial year end, there were 90 NHS Trusts in operation and a further 2 NHS Trusts that achieved Foundation Trust status during the year. There were also 153 Foundation Trusts (FTs) (plus the 2 new Foundation Trusts), aggregating to a total of 243 provider organisations producing accounts during the year. See table 12.

NHS Providers - Revenue DEL Spending

156. The provider sector ended the year with a revenue DEL outturn of £2.55 billion. The following table provides a breakdown of this spending.

Table 11: NHS Providers RDEL Breakdown

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m
Trust Surplus / Deficit	-120	-39	-57	241	484	1,351
FT deficit	-338	-437	-487	-134	358	1,097
Total Provider Deficit	**-458**	**-476**	**-544**	**107**	**842**	**2,448**
Provisions Adjustment	-106	-163	-120	53	121	74
Other Adjustments	-183	3	68	-11	-47	27
Total Revenue DEL	**-748**	**-636**	**-596**	**149**	**916**	**2,548**

1. Other adjustments – these include adjustments to reflect the correct DEL scoring of income and depreciation of donated assets and of PFI spending.

157. NHS providers ended 2015-16 with a net financial deficit of £2.45 billion. This included an element of support funding to help improve local finances in NHS providers of £0.33 billion. This is non-recurrent funding and therefore means that the recurrent underlying deficit for the sector was £2.78 billion:

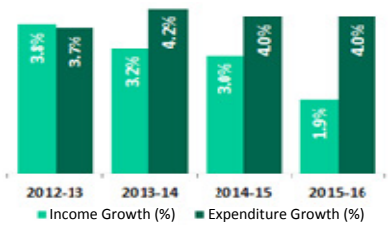
- NHS Trusts reported a net financial deficit of £1.35 billion, compared to a net deficit of £0.48 billion in 2014-15; and
- FTs reported a net deficit of £1.10 billion, compared to a net deficit of £0.36 billion in 2014-15.

Table 12: Summary of NHS Provider surplus/ (deficit)

	2015-16					
	Deficit		Surplus		Net	
	number	£m	number	£m	number	£m
NHS Trusts Reported Deficit	59	(1,448)	31	97	90	(1,351)
FTs Reported Deficit	101	(1,359)	52	262	153	(1,097)
Total Reported Deficit	**160**	**(2,807)**	**83**	**359**	**243**	**(2,448)**
Adjustments -						
Support Funding	*13*	*(245)*	*(13)*	*(86)*	*0*	*(332)*
Double count of part year FTs	*(1)*	*0*	*(1)*	*0*	*(2)*	*0*
Underlying Deficit	**172**	**(3,052)**	**69**	**273**	**241**	**(2,780)**

1. NHS Trusts numbers (90) include 2 NHS Trusts that became FTs in 2015-16. The net provider total has been adjusted to remove the double count of these Part Year FTs.
2. FTs numbers (153) include Mid Staffs FT that is no longer a licenced FT but continues to exist as a legal entity.

158. Increasing demand for health services as a consequence of the ageing and growing population, new drugs and treatments and safer staffing requirements are the primary drivers of the significant



financial challenge in NHS providers during 2015-16. These pressures have led to a trend over the past 3 years where growth in expenditure is faster than in income earned via the national tariff payment system.

NHS providers - Capital DEL

159. NHS provider Capital DEL spending in 2015-16 was £2.94 billion, which was £0.27 billion over the allocation set by the Department.

Table 13: Capital DEL spending breakdown

	2015-16		
	Allocation £m	Outturn £m	*Variance £m*
NHS Trusts - local capex		1,074	
FTs - local capex		1,729	
DH-led spending initiatives		166	
NHS Charities		-27	
Total Capital DEL	**2,675**	**2,942**	***(267)***

160. NHS Trusts and FTs finance the majority of this spending themselves via surplus cash reserves, and local boards are responsible for the planning and controlling of the majority of capital spending. In addition, the Department does have direct input into some specific initiatives and to support these, additional financing, in the form of Public Dividend Capital (PDC), is provided directly to NHS Trusts and FTs.

161. The table below provides a breakdown of the financing provided to support these initiatives in 2015-16.

Table 14: Financing provided by DH for NHS provider capital spending initiatives

	NHS Trusts £m	FTs £m	Total £m
Major Building Schemes	62	0	62
Genomics Infrastructure	1	9	10
Nursing Technology Fund	2	4	6
Intergrated Digital Care Fund	4	15	19
Proton Beam	0	54	54
Capital Incentive fund	14	0	14
Total Capital Financing	**83**	**83**	**166**

Arm's Length Bodies - Financial Performance

162. The Department's Arm's Length Bodies (ALBs) play a vital role in ensuring the health and care system works effectively at a local and national level, and that the interests of

patients and the wider public are protected. The summarised DEL financial performance for our ALBs is shown in the table below.

Table 15: Summarised Financial Position for DH's ALBs in 2015-16

	Plan £m	Outturn £m	*Variance £m*
RDEL Non Ring-fenced Spending -			
Public Health England	779	777	*2*
Public Health Local Authority Grants	3,036	3,036	*0*
Health Education England	4,906	4,870	*36*
NHS Litigation Authority	186	105	*81*
Other ALBs	567	570	*(3)*
SubTotal Non RF	**9,474**	**9,357**	***117***
RDEL depreciation ring-fence	143	178	*(35)*
Total RDEL	**9,617**	**9,535**	***82***

163. During the year we have actively managed the remainder of the departmental group to mitigate the scale of the impact on the overall financial position and ensure maximum resources are available for frontline patient care.

164. These management decisions have been focussed on more effective use of internal resources and releasing underspends arising from the natural slippage of projects at an early date. Health Education England (HEE) and NHS Litigation Authority (NHSLA) in particular have reported significant underspends. Underspends in HEE are largely attributed to underspends on areas of Education support, alongside active measures to reduce corporate expenditure and recruitment costs. Additionally, a further underspend resulted from the correction of an accounting treatment discrepancy relating to the recognition of intra-group income and expenditure associated with Education Support Grants. NHSLA underspends are in the main due to timing of cash payments against the provision balances they hold.

165. Overall, our ALBs operated within DEL spending limits set by the Department, delivering savings of £0.08 billion against the total RDEL control, to help mitigate system wide pressures. This has been done without compromising the support of the wider system whilst safeguarding the interests of patients and the wider public.

Departmental Central Budgets - Financial Performance

166. To help mitigate the significant financial pressures in the NHS and the impact of provider financial deficits on the overall DH control limits agreed by Parliament and HM Treasury,

the Department has re-prioritised and recycled central funding from areas where savings have arisen and where there were no clear plans for spending this year.

167. Specifically, the Department has:
- Saved £1.05 billion against non-NHS budgets (ALBs £0.08 billion plus central budgets £0.97 billion) through increased scrutiny and improved financial management – see table below;
- Transferred £0.95 billion funding from capital to revenue as part of the Supplementary Estimates process, by identifying areas of capital spending where projects were not yet ready to proceed or were delayed with no effect on the provision of current frontline care; and
- Introduced tough cost-control measures in NHS providers, such as clamping down on agency spend, while continuing to work with hospitals on ways to improve productivity and reduce waste.

168. Within the Department's Central budgets there has been an increased focus on in-year financial management and reporting. This continued drive to improve central programme budget governance and risk monitoring resulted in savings being identified and recorded as they occurred during the year. These central savings have allowed the Department to re-prioritise spending to the frontline NHS for the benefit of patients and the public, without compromising the delivery of important centrally funded programmes and objectives.

Table 16: Summarised savings on Central Budgets

	Plan £m	Outturn £m	*Variance £m*
RDEL Non Ring-fenced Spending -			
European Economic Area (EEA) medical costs	630	247	*383*
Informatics	425	305	*120*
Research & development	1,078	1,037	*41*
Public dividend capital (PDC) payments	-980	-962	*(18)*
Other DH Central Budgets	523	468	*55*
SubTotal Non RF	**1,676**	**1,095**	**582**
RDEL depreciation ring-fence	1,232	847	*385*
Total RDEL	**2,908**	**1,942**	***967***

Our performance against other required reporting

Better Regulation

169. The Department is committed to the use of better regulation to achieve our objectives at the least cost to the economy. This is achieved by using, where possible, alternatives to regulation. When we do regulate, it is only where necessary to protect public health and to ensure we provide safe, effective and compassionate care. The Department has set out two better regulation commitments in its SDP: a deregulatory budget and inputting into relevant Cutting Red Tape reviews.

170. We are helping the Government to meet its manifesto commitment to deliver £10 billion savings for business over this Parliament. We have a deregulatory budget of £295 million of savings to be achieved in this Parliament. We report regularly on current and forecast positions against our budget. Our latest net position is a deficit of £47.8 million which is due to tobacco legislation agreed in the last Parliament, though we have identified potential deregulatory measures to recover this position within 12 months. We are working to identify a forward programme of deregulatory and regulatory activity, in both the public and private sectors of health and social care over the rest of the Parliament and in doing this we are working closely with our regulatory ALBs to understand their activity that will contribute to savings.

171. As part of the Government's challenge to reduce the red-tape burden on businesses and improve regulation, the Department is working on a Cutting Red Tape review of care homes. We are working in partnership with BIS and DCLG to address the findings of this BIS lead review. A response and high-level action plan will be published alongside the review and DH will work closely with BIS, DCLG, sector bodies and providers to reduce areas of unnecessary burden and duplication of inspection and enforcement in the sector. We will report back to Ministers on progress 6 months after the publication of the review.

Sustainable Development, Sustainable Procurement, Climate Change and Rural Proofing

172. The Government aims to lead by example, managing its estate and activities in a way that supports the principles and objectives of sustainability. All central government departments are required to report their progress in terms of reducing the environmental impact of their operations, through the Greening Government Commitments (GGC)[17]. The GGC are a set of agreed targets that cover carbon emissions related to energy use and business travel, water use and waste.

173. We are committed to long-term sustainable development. At the first phase target date of 2014-15 (against a 2009-10 baseline) the Department and its' in-scope ALBs have met and exceeded all the GGC targets. We reduced our carbon emissions by 31%, our waste tonnage by 32% and our water use by 17%. We also reduced the number of domestic flights taken by staff by 62%, making us the lead government department for this target. More detail around our performance in these areas is included within Annex B.

31% reduction in greenhouse gas emissions by DH in last 5 years

[17] https://www.gov.uk/government/publications/greening-government-commitments-2014-to-2015-annual-report

174. We work closely with other government departments, and also support the health and social care system via the NHS Sustainable Development Unit (SDU)[18]. The SDU assists the health and care system to develop Sustainable Development Management Plans (SDMP) and links sustainability to healthcare improvement. The SDU has outlined the vision for a sustainable health and care system in The Sustainable Development Strategy for the Health, Public Health and Social Care System 2014-2020[19], which was published in 2014.

175. We have continued to promote sustainable procurement, which engages and influences procurement practice on a number of key sustainability issues including consideration of the Public Services (Social Value) Act and the Small Medium Enterprise (SME) Agenda. We have maintained a good level of compliance with Government Buying Standards and work continues under the facilities management contract to support energy efficiency and carbon reduction.

176. A percentage of our expenditure is contracted through pan-government frameworks and contracts managed by the Crown Commercial Services (CCS) and the Department supports the use of sustainable procurement within these frameworks. For large, strategic procurement projects sustainable procurement is considered through a procurement strategy.

177. The Department and its ALBs reported on sustainability in 2015-16 through the NQC CAESAR sustainability reporting tool. CAESAR supports the Department to engage with its strategic suppliers on a broad range of supply chain impacts. Targets set by the current government for the life of this parliament to 2020-21, are for 33% of Total Procurement Spend (TPS) to be with small to medium enterprises, full data for 2015-16 is not yet available.

Climate Change Adaptation

178. We are looking at how best to take our sustainable development and climate change work forward, building on the Department's own 2010 Climate Change Plan[20] and the Public Health Outcomes Framework[21] for England 2013-2016, which requires public sector organisations to have a SDMP and to be able to demonstrate that sustainable development is embedded within their activities, and on which all organisations currently delivering NHS services report.

179. We have established a new Director-level Sustainable Development and Climate Change Steering Group, chaired by the Department's Deputy Chief Medical Officer who is the Department's Sustainable Development and Climate Change Champion.

180. One of the Group's tasks has been to produce a DH Board approved SDMP that will provide a route map for all DH staff and act as a guide for our ALBs in achieving a sustainable future.

181. The SDMP will provide a monitoring and reporting tool through a set of objectives on leadership and governance, policy making, partnerships as well as the GGC. It will be published later in 2016 once formally approved by the DH Management Committee and Ministers. Actions from the SDMP will be implemented as part of the delivery of our SDP.

[18] http://www.sduhealth.org.uk/
[19] http://www.sduhealth.org.uk/search/resources.aspx?q=sustainable+development+strategy&zoom_query=sustainable+development+strategy
[20] https://www.gov.uk/government/organisations/department-of-health
[21] http://www.phoutcomes.info/

182. We encourage all staff to think about sustainability, including climate change, in all our policies and in engagement and interactions with our stakeholders and supply chains and we are piloting a tool to help our staff identify how sustainable development and climate change can be addressed in their everyday work, as well as in Impact Assessments. We anticipate rolling this out across the Department following completion of the pilot phase in 2016-17. We are also developing a learning module around sustainable development and climate change, which will form part of the DH Policy Certificate programme.

183. In conjunction with DEFRA, we have produced a National Adaptation Programme (NAP)[22], which sets out what government, businesses and society are doing in response to the top risks identified in the first Climate Change Risk Assessment (CCRA), which was laid before Parliament in January 2012[23]. We are currently feeding the health-related areas, covering actions to ensure public health protection plans take account of climate change risks, and improve resilience of health and social care facilities (for example mapping flood risks to Health and Social Care assets) into DEFRA's next CCRA.

184. A key part of the Department's national adaption planning to reduce the public health impacts of climate change is in the preparation of climate proof 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[24] and the 'Under the Weather' toolkit[25].

Rural Proofing

185. We have been working with DEFRA to develop and promote the Rural Health Proofing tool[26], designed to share good practice on health and health services in rural areas, with a view to its greater use in the NHS. We have collaborated with DEFRA and NHS England about Lord Cameron's rural proofing review and shared with Defra relevant NHS policy developments, such as the GP's minimum practice income guarantee (MPIG). In his review report, Lord Cameron emphasised that all Government policies need to make rural issues a routine policy consideration. The Government's response to the review published in December 2015[27], supported this approach and committed to strengthen departmental rural proofing guidance by summer 2016.

Correspondence and Complaints to the Parliamentary Ombudsman

In 2015 we received over 47,000 correspondence cases, responding to over 95% within our target of 18 days. In line with standard reporting, the data shown is for the calendar year 2015 not financial year 2015-16.

95% of DH correspondence cases responded to within 18 day target in 2015

Envelope icon made by Yannick in Interface from www.flaticon.com

[22] https://www.gov.uk/government/publications/adapting-to-climate-change-national-adaptation-programme
[23] http://www.defra.gov.uk/environment/climate/government/risk-assessment/
[24] https://www.gov.uk/government/publications/heatwave-plan-for-england
[25] http://www.sduhealth.org.uk/areas-of-focus/community-resilience/community-resilience-copy.aspx)
[26] https://www.gov.uk/rural-proofing-guidance
[27] https://www.gov.uk/government/publications/rural-proofing-government-response-to-lord-camerons-review

Table 17: Correspondence Cases 2015

Case type	Due in 2015	Completed on time	Percentage on time
Private Office	14,767	13,634	92.3%
Treat Official	9,159	8,919	97.4%
DE	18,351	17,827	97.1%
TOTAL	42,277	40,380	95.5%

Excludes FOI cases

186. In 2014-15 we received 12 complaints accepted for investigation by the Parliamentary and Health Service Ombudsman (PHSO) (2014-15; being the last year PHSO have data available via published report). The following table is a summary of results. The statistics represent complaints made about the Department. Complaints about DH agencies and the NHS are not included.

Table 18: Parliamentary and Health Service Ombudsman Complaints 2014-15

Enquiries Received	Assessed	Resolved through Intervention	Accepted for Investigation	Investigation Upheld/partly Upheld (complied with)	Investigations not Upheld	Investigations resolved without a finding
179	30	0	12	1 (1)	6	0

187. Our complaints process follows the principles for good complaint handling provided by the PHSO, with a three-tier process that first aims to resolve the issue at local level by the person who originally dealt with the correspondence. If this fails, the complaint will be allocated to a manager in that area. If there is no resolution at this stage, the complaint may be escalated to a Complaints Manager for investigation (as in this case). Once the DH complaints process has been exhausted, complainants may then ask the PHSO to investigate.

Health and Safety

188. 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. In 2015-16, there were 15 reported accidents; none of which resulted in absence, and 1 near miss.

Secretary of State for Health Annual Report 2015-16

Introduction

189. The Secretary of State is required by section 247D[28] of the National Health Service Act 2006 "the 2006 Act" to publish an annual report on the performance of the health service in England.

190. This report remarks 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[29]. This 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 health inequalities) of the 2006 Act[30]. The contents of this report must be seen in a wider context of capacity constraints and rising demand within the service during the year.

191. The Secretary of State 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, to have regard to the need to reduce inequalities between people as to the benefits they get from the health service. The assessments are set out below specifically in relation to: Performance of the NHS against key access standards; Outcomes Frameworks; NICE Quality Standards and Health Inequalities.

Performance of the NHS against key access standards

192. In observing performance of the NHS, service users often cite access to the NHS as being a main indicator of NHS performance. There are a number of operational standards that the NHS is required to deliver in terms of access to NHS services. These are reflected as rights and pledges to patients in the NHS Constitution. During 2015-16, the Secretary of State held regular performance and accountability meetings with the Chief Executives of NHS England, Monitor and the NHS TDA to account for their management of the NHS, seeking assurances on delivery of the standards reflected in the Constitution, and what action they are taking to maintain and improve performance. Details of how the NHS has delivered against some of these main access standards are given in the main body of this DH Annual Report under 'Performance Analysis'.

Outcomes Frameworks

193. The Department of Health leads the health and care system in delivering improved outcomes. Focusing on outcomes, supports innovation, increasing the safety and effectiveness of services, and improves patient and user experience. The Department will work with its ALBs to ensure that the right information, focused on what matters to people, is available to commissioners and providers to support them to identify local priorities for care and support. This will enable them to measure how quickly improvements are being made in these areas.

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

194. 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 and they enable the Secretary of State to hold the system to account. Together the outcomes frameworks highlight common challenges across the health and care system at the national and local level, informing local priorities and joint action whilst reflecting the different ways services are held accountable.

195. Data from the three outcomes frameworks is published online for the public to hold their local services to account. A subset of measures are published within topic-specific scorecards on the MyNHS[31] website. This is part of the Government and Department's wider drive to increase the transparency and accountability of public services.

Alignment

196. The importance of integrating services to deliver better care and the need to understand the contributions of different parts of the system is central in supporting local planning and delivery of better outcomes. The three frameworks continue to include shared and complementary measures to support these goals. In the 2015-16 refresh of the NHS outcomes frameworks, the number of shared and complementary indicators increased from 16 to 22. 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 support alignment across the health and care system by, where appropriate, covering all stages of the care pathway.

NICE Quality Standards

197. NICE quality standards provide an evidence-based and concise description of high quality in a particular area and support the local health and care sector to deliver improvements against the outcomes frameworks. Over the past year, NICE has published 34 quality standards covering a range of topics, including smoking: harm reduction, learning disabilities: challenging behaviour and intrapartum care.

Shared Delivery Plan

198. From 2016-17, progress for the Department and the wider system will be assessed through our Shared Delivery Plan (SDP)[32]. In line with the process that other Government Departments have followed to agree their Single Departmental Plans, our SDP highlights the priorities, objectives, accountabilities and measures that will guide the work of the whole system in the coming years. The SDP is aligned with the outcomes frameworks. In particular, where the SDP is focussed specifically on outcomes, it draws on metrics already included in the outcomes frameworks.

Progress against outcomes[33]

The NHS Outcomes Framework

199. The NHS Outcomes Framework provides a long-term assessment of health in England and supports Secretary of State's mandate which outlines the specific objectives that NHS

[31] http://www.nhs.uk/Service-Search/performance/search
[32] https://www.gov.uk/government/publications/department-of-health-shared-delivery-plan-2015-to-2020
[33] 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.

England should seek to achieve that year. The NHS Outcomes Framework is divided into five domains which are:

- Preventing people from dying prematurely;
- Enhancing quality of life for people with long-term conditions;
- Helping people to recover from episodes of ill-health or following injury;
- Ensuring that people have a positive experience of care; and
- Treating and caring for people in a safe environment and protecting them from avoidable harm.

200. Specifically, the framework sets out measures used to assess whether NHS England has achieved its objectives. It consists of 68 indicators overall, for which 46 have data available. Indicators are published throughout the year and are available on the HSCIC website. The most recent data[34] shows improved or consistent performance across 55% of indicators.

201. In March 2015, DH published its intention[35] to assess the level of health inequality for a number of indicators in the Framework. Several of these are outlined below, and further comments are included around the later section on inequalities.

Preventing people from dying prematurely

202. A key measure used to understand whether the NHS is preventing premature mortality is through data relating to deaths from causes considered 'amenable' to healthcare. This captures premature deaths and should not normally occur in the presence of timely and effective healthcare. Following a decade of significant improvement in the performance of the NHS treating people for whom their condition is amenable to health care, the number of adult potential years of life lost showed no significant change over the last 3 years (2012-2014). The overall trends are similar for both men and women and are being driven by increases in cardiovascular diseases, respiratory diseases, digestive disorders and infections.

203. Life expectancy at 75 continues to improve and increased between 2013 and 2014 for both men and women, in line with the long-term trend. However, the data also show growing inequalities in life expectancy at 75, with a gap of around 3 years between the most deprived and least deprived areas.

204. Infant mortality has been reducing steadily over the past 15 years. The mortality rate for babies stillborn or dying before 28 days old fell from 7.3 deaths per 1,000 births in 2013 to 7.1 deaths per 1,000 births in 2014 (2.7%). Inequalities in infant mortality also fell.

205. The most significant cause of premature mortality is cancer, followed by cardiovascular disease. The under 75 mortality rate from cancer improved between 2013 and 2014, falling by 2%. However, in 2014, the rate in the most deprived areas was almost twice that of the least deprived areas. Survival rates from cancer at one year and five years post diagnosis have also improved. The rate of mortality from cardiovascular disease for people under 75 fell by around 4% between 2013 and 2014, which is the largest drop for three years.

[34] https://indicators.hscic.gov.uk/webview/.
[35] https://www.gov.uk/government/publications/nhs-outcomes-framework-2015-to-2016

Enhancing quality of life for people with long-term conditions

206. To help understand health outcomes for people with long-term conditions there is an overarching indicator on their health-related quality of life. Overall this self-reported measure has remained stable since 2011-12. The 2014-15 data shows a score of 0.74, where 1 represents perfect health. Lower quality of life scores from those with long-term conditions were reported by people in more deprived areas.

207. Diagnosis of a long-term condition can be a major step in enhancing quality of life. There has been an increase in the estimated diagnosis rate for dementia since 2007-08 from 37% to over 60% in 2014-15.

208. Employment status can be used as a broad indicator of health and to assess quality of life. Data for the second half of 2015 highlight a gap of around 14 percentage points between the employment rates of people with long-term conditions and all people. The longer term trends for the gap in employment rates between people with a mental illness and all people is narrowing from around 45 percentage points in mid-2006 to 35 percentage points at the end of 2015.

209. Primary care services, such as those provided by general practices, can help people manage their long-term conditions to avoid going into hospital. The measure of 'unplanned admissions for ambulatory care sensitive conditions' helps to understand where health conditions that can normally be prevented by active management and lifestyle intervention become acute and exacerbated, resulting in a hospital admission. Unplanned admissions for ambulatory care sensitive conditions increased between 2013-14 and 2014-15, following a period of decline, to over 800 admissions per 100,000 population. The highest rates of unplanned admission in 2014-15 were for chronic obstructive pulmonary disease, heart failure, asthma and atrial fibrillation/atrial flutter. Unplanned admissions rose with increasing area deprivation, and older people had the highest rates of admission. Similarly, the rate of unplanned hospital admissions for young people with asthma, diabetes and epilepsy increased by 4% between 2013-14 and 2014-15.

Helping people to recover from episodes of ill-health or following injury

210. There are a range of measures to help understand how the NHS is helping people to recover from episodes of ill-health following injury.

211. Over the past ten years emergency admissions for acute conditions not usually requiring an admission increased and between 2013-14 and 2014-15 continued to rise by 6.8%. Over the same period, the rate of emergency admissions for children under the age of 19 with lower respiratory tract infections also increased by 7.5%.

212. In helping people to recover from injury, after 30 days around 35% of people recovering from a hip fracture regained their previous levels of mobility in 2014 up from 24% in 2013. After 120 days, mobility recovery reached almost 58%, an improvement from 50% in 2013.

213. An aim of healthcare is to enable patients to return to sustained health following a period of ill-health or injury. Figures relating to older people who were still at home 91 days after discharge from hospital into reablement or rehabilitation services has remained broadly stable over the last 4 years at around 80%. However, the proportion offered rehabilitation following discharge from hospital fell slightly from 3.3% in 2013-14 to 3.1% in 2014-15.

Ensuring that people have a positive experience of care

214. As well as providing good quality healthcare, it is important that people have a positive experience of care across the different parts of the system.

215. Patients rating their overall experience of their GP surgery as 'very good' or 'fairly good' fell to 85% in 2014-15 from 88% in 2011-12 when it was first recorded. Younger people were less likely to report good experiences than older people for the last year. Indian, Pakistani and Bangladeshi; and Gypsy and Irish Traveller ethnic groups were also more likely than other ethnic groups to report lower levels of overall experience.

216. Around 69% of people reported a positive experience of GP out-of-hours services in 2014-15. This measure shows higher satisfaction amongst women than men. In contrast to other measures including GP surgery experience, a larger proportion of patients in more deprived areas tend to report a positive experience of GP out-of-hours services than those in less deprived areas.

217. Patients were asked about a variety of aspects of their experience of hospital care and the results were combined to give a score out of 100. The overall scores for 2014-15 and 2013-14 (76 and 77, respectively) were higher than for all previous years.

218. The proportion of patients reporting a 'very good' or 'fairly good' experience of NHS dental services has increased by on average 0.5% each year since the data was first collected in 2011-12, almost reaching 85% in 2014-15. The percentage of people who obtained an NHS dental appointment in the past two years also increased in 2014-15 to around 95%. However, fewer people in more deprived areas were able to obtain an appointment than in least deprived areas, and fewer people in London were able to obtain an appointment than elsewhere in the country.

Treating and caring for people in a safe environment and protecting them from avoidable harm

219. Patients should have confidence that the NHS is treating and caring for people in a safe environment. Specifically, the number of patients affected by healthcare-acquired infections has seen mixed performance in 2014-15. The number of reported cases of MRSA fell to around 800 in 2014-15 compared to over 860 in 2013-14 and almost 3000 in 2008-09. Conversely, the number of cases of c.*difficile* rose from around 13,350 to just over 14,150. This rise follows progressive reductions since a level of 55,500 in 2007-08 and remains below the 2012-13 level of just under 14,700.

The Public Health Outcomes Framework

220. The Public Health Outcomes Framework(PHOF) 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 how long we live, (our life expectancy), but also on the quality of our health (our healthy life expectancy at all

stages of the life course). In 2012-14, healthy life expectancy at birth for males in England was 63.4 years and for females it was 64.0 years.

- Reduced differences in life expectancy and healthy life expectancy vary between communities, (through greater improvements in more disadvantaged communities). This data is reported in the health inequalities section below.

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

222. Several of the wider determinants of health are stable or moving in a favourable direction. In 2014-15, there was an increase in the percentage of children achieving a good level of development at the end of reception (from 60.4% in 2013-14 to 66.3% in 2014-15).

223. For the period 2012-13 to 2014-15, there has been a 9.3% decrease in hospital admissions for violent crime including sexual violence when compared to the previous time period. 2011-12 to 2013-14.

224. Health protection indicators are moving in a favourable direction. In 2014, there was an increase in cancers diagnosed at an early stage (from 45.7% in 2013 to 50.7% in 2014).In 2015, there was a slight decrease in the daily fruit and vegetable consumption from 53.5% in 2014 to 52.3% in 2015.

225. There has been an 8.1% decrease in the incidence of tuberculosis in 2012-2014 when compared to the period 2011-2013. In 2013, treatment completion for tuberculosis also increased by 1.4% when compared to 2012. In 2014-15, there was a slight increase in pneumococcal polysaccharide vaccine (PPV) coverage for the over 65s (from 68.9% in 2013-14 to 69.8% in 2014-15).

226. In general, indicators for preventable ill health and preventing premature mortality are moving in a favourable direction. In 2011-13, there was a 3.2% decrease in the rate of infant mortality (under one year old), when compared to the period 2010-12; equivalent to 270 fewer infant deaths. The estimated diagnosis rate for people with dementia has increased from 48.7% in 2012-13 to 52.5% in 2013-14. In 2012-14, the under 75 mortality rate from cardiovascular diseases (including heart disease and stroke) has decreased by 2.7% when compared to 2011-13.

227. When the PHOF was first published in 2012 there was a commitment not to make any changes for three years to allow it to become established during the transfer of public health responsibilities from the NHS to local authorities. We undertook a consultation on the PHOF from 3 September to 2 October 2015 with a view to updating it in 2016. The Government response to the consultation was published on 6 May 2016.

The Adult Social Care Outcomes Framework

228. The Adult Social Care Outcomes Framework (ASCOF) 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. ASCOF measures cover the quality of life of carers and people who use care services and their experience of care and support including: how safe they feel; the effectiveness of services in supporting them to stay independent for as long as possible; and choice and control they have over their daily lives.

229. 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 2014-15, 3.1% of older people were offered reablement services following discharge from hospital and over 80% of older people were still at home 91 days after discharge from hospital into a reablement or rehabilitation service.

230. Avoiding permanent placements in residential and nursing care homes is a good measure of delaying dependency, and the inclusion of this measure in the ASCOF supports local health and social care services to work together to reduce avoidable admissions. Where possible, people prefer to stay in their own home rather than move into residential care. The number of people whose long term support needs were met by permanent admission to residential and nursing care homes (per 100,000 population) in 2014-15 was 14.2 for younger adults and 668.8 for older people.

231. A measure of social isolation was recently included in the ASCOF, marking an important step towards improving the lives of social care users and carers who are experiencing social isolation. This measure provides a clear focus for local priority setting, enabling local authorities to determine the scale of the problem in their area. In 2014-15, 44.8% of service users and 38.5% of carers reported that they had as much social contact as they would like. The figure for carers has fallen from 41.4% in 2012-13.

232. Personal budgets for social care impact positively on well-being, increasing choice and control, reducing cost implications and improving outcomes. Direct payments increase satisfaction with services and are the purest form of personalisation. In 2014-15, 84% of service users received self-directed support compared with 77% of carers, and 26% of service users received direct payments compared with 67% of carers.

233. There is a strong link between employment and enhanced quality of life, including evidenced benefits for health, wellbeing and financial status. Of the proportion of adults with a learning disability known to councils, 6% were in paid employment in 2014-15. Employment of adults with mental health problems can reduce their risk of social exclusion and discrimination and is a key part of the recovery process. Employment outcomes are a predictor of quality of life, and are indicative of whether care and support is personalised, thus providing a wider determinant of health and social inequalities. Of the proportion of adults in contact with secondary mental health services known to councils, 6.8% were in paid employment in 2014-15. This has fallen slightly from 7% in 2013-14.

234. The nature of accommodation for people with a learning disability has a strong impact on their safety and overall quality of life and the risk of social exclusion. Of the proportion of adults with a learning disability known to councils, 73.3% were living in their own home or with family in 2014-15. Stable and appropriate accommodation for adults with mental health problems is closely linked to improving their safety and reducing their risk of social exclusion. Of the proportion of adults in contact with secondary mental health services known to councils, 59.7% were living independently or without support in 2014-15, this has fallen slightly from 60.8% in 2013-14.

235. Safety is fundamental to the wellbeing and independence of people using social care, and the wider population. Feeling safe is a vital part of service users' experience and their care and support. In 2014-15, 68.5% of people who used services reported that they felt safe.

Health Inequalities

236. The government's vision is for measurable and sustained reductions in health inequalities where more people can enjoy good health throughout life, wherever they live or whatever their social position. The need to reduce health inequalities across society has been highlighted as part of delivering the Shared Delivery Plan. This aim is also reflected in the NHS Constitution, the 2016-17 mandate to NHS England and is a key part of Public Health England's remit for 2016-17.

237. Secretary of State's legal duty to have regard to the need to reduce health inequalities includes planning, assessment and reporting requirements[36]. For 2015-16 the criteria for assessing how well the Secretary of State has fulfilled his legal duty continued to require good governance and accountability, but shifted the focus firmly onto supporting the vision to achieve measurable and sustained reductions in health inequalities. This means taking more account of the action taken to respond to the latest evidence, data and trends. This aids transparency and supports decision-making nationally and locally.

238. During 2015-16, Secretary of State published a set of NHS Outcomes Framework and Public Health Outcomes Framework metrics for health inequalities assessment which it is anticipated may be developed over time[37]. In 2015-16 preparation work has been done to establish baselines, subject to data availability, so that trends can be accurately recorded, measuring progress and helping to inform where further actions need to be taken or efforts concentrated. The methodology for measuring inequalities for the NHS Outcomes Framework indicators is being developed. In the interim, progress has been assessed using inequalities data currently available on the HSCIC's website for these indicators.

239. Across the set of indicators, the data show a mixed picture on inequalities. For the overarching inequalities indicator in the PHOF in 2012-14 the gap in life expectancy at birth between the most and least deprived areas, as measured by the Slope Index of Inequality[38], was 9.2 years for males and 7.0 years for females. The gaps in healthy life expectancy at birth were wider: 19.0 years for males and 20.2 years for females. There has been little change in the life expectancy gaps since 2002-04, or in the healthy life expectancy gaps since 2009-11 (the earliest data available).

240. For the NHSOF health inequalities assessed indicators, inequalities by deprivation continued to narrow between 2013 and 2014 for cardiovascular disease (CVD) mortality and infant mortality. The gap in CVD death rates (ages under 75) between the most and least deprived areas narrowed by 3% between 2013 and 2014. The infant mortality inequalities gap has more than halved since 2003. Inequalities by ethnicity also narrowed in 2014 for health-related quality of life for people with long term conditions.

[36] http://www.legislation.gov.uk/ukpga/2012/7/section/4
[37] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506771/SofS_letter_health_inequalities_acc.pdf - appendix
[38] The SII measures the social gradient in an indicator, i.e. how much it varies with deprivation. It takes account of inequalities across the entire range of deprivation and summarises this in a single number. This represents the difference in the indicator across the social gradient from most to least deprived, based on the line of best fit across all deprivation deciles (or quintiles).

241. However, inequalities by deprivation widened in 2014 for emergency admissions for acute conditions not usually requiring an admission, continuing a longer term widening trend. Inequalities also widened in 2014 for satisfaction with GP services and making a GP appointment, a worsening in the trend which had been flat over recent years. Satisfaction decreased across all deprivation deciles, but decreases were larger in more deprived areas, and inequalities by ethnicity and sexual orientation also widened. Inequalities by deprivation in life expectancy at 75 have also been widening (but data is not yet available to assess progress since 2013).

242. Other NHSOF inequalities indicators show little change in inequalities over recent years (for example cancer mortality and adult potential years of life lost due to causes considered amenable to healthcare).

243. The Government is keenly aware that reducing health inequalities is very challenging with complex drivers, many of which are outside health system control. 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 in 2015-16 is that there has been reasonably good progress. However there is still more to do, in particular to support effective action across all communities and to strengthen the evidence and knowledge of what works.

Quality

244. A constant theme for the current Secretary of State for Health is that the NHS needs to become more patient centred and more willing to use service user feedback. We are fortunate that the NHS responds well to these imperatives; but we can, and should, go further to embed this firmly in the culture. That is the path to quality improvement. In the Government's responses to the various reports outlined below, it has committed to reporting annually on our progress along this path.

245. In 2010, at the Government's request, Sir Robert Francis QC, began his historic and ground breaking inquiry into failings at the Mid Staffordshire NHS Foundation Trust, the report of which was published in 2013[39]. We published our response - Patients First and Foremost[40] - shortly afterwards; and followed this up later in the year with a more detailed response - Hard Truths: The Journey to Putting Patients First[41]. In February 2015 we published Culture Change in the NHS[42], a consolidated account of the progress to date in implementing all of the recommendations that we had committed to.

246. Almost all of these actions fell into a few broad categories, for example; improved professional regulation and oversight; the introduction of a professional duty of candour, as well as support for those who need to speak up about what they have seen and experienced as patients, relatives, carers, clinicians, managers. To include a more integrated and collaborative approach to quality regulation, both nationally and locally and across professional and institutional boundaries; improved co-operation with regulators across and outside the health and care sector; and the urgent need for a different culture in the NHS, one where there is a greater emphasis on putting the patient

[39] https://www.gov.uk/government/publications/report-of-the-mid-staffordshire-nhs-foundation-trust-public-inquiry
[40] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/170701/Patients_First_and_Foremost.pdf
[41] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270368/34658_Cm_8777_Vol_1_accessible.pdf
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270103/35810_Cm_8777_Vol_2_accessible_v0.2.pdf
[42] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403010/culture-change-nhs.pdf

at the heart of services, where professionals focus on learning from experience, and where accountability and transparency are a valued and integral part of all that we do.

247. In July 2015, we published Learning not Blaming[43], the response to Sir Robert Francis QC's 'Freedom to Speak up' report, the report of Dr Bill Kirkup into events at Morecambe Bay[44], and the Public Administration Select Committee's report into the investigation of clinical incidents[45], all of which had been published earlier that year. The themes identified in 'Learning not Blaming' were similar to those found in Sir Robert Francis's report into Mid Staffordshire NHS Foundation Trust, in particular the repeated failure of professionals to heed the concerns of their patients and of their colleagues.

Progress to date

248. With our delivery partners in our Arm's Length Bodies, we have also continued to reform the healthcare system, making it more fit for purpose.

249. To that end, provider regulation is overseen operationally by one organisation – NHS Improvement (NHSI) – who offer support to providers designed to lead to the development of a culture that focuses on improving outcomes, efficiency and fairness; and giving patients consistently safe, high quality and compassionate care; and that, in doing so, emphasises learning from experience. As part of this move, we located the NHS patient safety function within NHSI, and are in the process of creating a new Healthcare Safety Investigation Branch.

250. We have also:
- set up the office of the Independent National Officer[46], to protect whistle blowers;
- reformed the system of midwifery supervision, to bring it into line with other professions;
- led the development of a more open and transparent approach to the handling of all feedback (including complaints) across the NHS; and,
- started the process of improving the systematic recording and tracking of perinatal deaths.

251. Taken together with our continued commitment to quality improvement, as outlined in the section on the shared delivery plan, this represents solid progress over the course of the year along the path towards a responsive, patient-centred NHS. Below, I outline further improvements for the future, which will form part of this section in next year's annual report.

Forward look to 2016-17

252. Over the course of 2016-17, we will further develop the use of data and insight to inspire improvement in quality and efficiency, and help hospital leaders at Board level to understand what more needs to be done in their organisation to earn the title of 'learning organisation'. As set out in our SDP for 2015-20[47], we and our delivery partners across the health and care system are committed to creating the safest, highest quality care healthcare services. We will report back on our progress in meeting these priorities over the course of 2016-20.

[43] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445640/Learning_not_blaming_acc.pdf
[44] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408480/47487_MBI_Accessible_v0.1.pdf
[45] HC886, 27 March 2015
[46] http://www.cqc.org.uk/content/national-guardians-office
[47] https://www.gov.uk/government/publications/department-of-health-shared-delivery-plan-2015-to-2020

Performance Report Accounting Officer Sign-off

8 July 2016
Chris Wormald
Permanent Secretary

Accountability Report

253. The purpose of the Accountability Report is to meet key accountability requirements to Parliament. It is comprised of three key sections:
    - Corporate Governance Report
    - Remuneration and Staff Report
    - Parliamentary Accountability and Audit Report.

254. The purpose of the **Corporate Governance Report** is to explain the composition and organisation of the Department's governance structures and how they support achievement of our objectives. It is comprised of three sections:
    - Directors' Report
    - Statement of Accounting Officer's Responsibility
    - The Governance Statement.

255. The **Directors' Report** as per the requirements of the Government Financial Reporting Manual (FReM) requires certain disclosures relating to those having authority or responsibility for directing or controlling the Department including details of their remuneration and pension liabilities. This information can be found in the following sections:
    - The outline of the Department's Board and membership including; the Permanent Secretary, Non-Executives and Ministers who have had responsibility for the Department during 2015-16, can be found within the 'who we are' section at the start of the Annual Report, and the Governance Statement.
    - Salary information including pension liabilities can be found within the Remuneration Report.
    - Information on any personal data related incidents reported to the Information Commissioners office can be found within the Governance Statement.

256. The Department has a Code for Business Conduct, which incorporates the principles set out in the Civil Service Code[48]. This applies to all staff working in the Department including those who have authority or responsibility for directing or controlling the Department.

257. All staff are required to record and regularly review any potential or actual conflicts of interest alongside any gifts or hospitality and declare these on the electronic Register of Interests. In the case of interests, all staff are required to make a nil return if they do not hold any interests which should be declared.

258. Our Ministers interests are published on Gov.Uk website by the Cabinet Office[49]. Our Directors Generals and Directors' record of gifts and hospitality are published as part of the quarterly transparency data on Gov.Uk website[50].

259. We also publish in note 18 of the financial statements a list of related party transactions involving organisations our Ministers, Non-Executive Directors and board members have connections with.

[48] https://www.gov.uk/government/publications/civil-service-code/the-civil-service-code
[49] https://www.gov.uk/government/publications/list-of-ministers-interests
[50] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/511088/Hospitality_DG_s_PS___SCS2csv.csv/preview

260. The **Statement of Accounting Officer's Responsibilities** and the **Governance Statement** outline the responsibilities of the Accounting Officer and how the Department is governed.

261. The **Remuneration and Staff Report** sets out the Department's remuneration policies for Directors and reports on implementation of these policies as well as detail on remuneration and staff that are key to accountability.

262. The purpose of the **Parliamentary Accountability and Audit Report** is to bring together the key Parliamentary accountability documents within the Annual Report and Accounts, much of this has historically formed part of the Financial Statements. It is comprised of:
    - Statement of Parliamentary Supply and notes;
    - Summary of fees and charges, remote contingent liabilities; and
    - Certificate and Report of the Comptroller and Auditor General to the House of Commons

Lead Non-Executive Board Member's Report

Performance and priorities

263. This year, the Department of Health and the Arm's Length Bodies that comprise the health and social system faced significant challenges. Responding to increasing demand for health services whilst simultaneously taking actions to improve care quality and safety put intense financial pressure on providers. The General Election required the Department to prepare for a range of potential outcomes and work with both new and returning ministers to reframe previous objectives and identify new priorities, such as the focus on seven day services. The junior doctor dispute exacerbated operational pressures on the system. The Department itself launched a significant restructuring programme to become more efficient and effective. Throughout the year, the Department and the Arm's Length Bodies worked through such challenges whilst maintaining continuous focus on performance delivery and progress on the overall transformation agenda.

264. The Board met on seven occasions in 2015-16. In four of the meetings (June, September, January and March) the Board focused primarily on the quarterly performance report, financial information and risk management, whilst the other meetings covered a broad range of strategic issues. Board agendas balanced oversight of current performance with discussion of the issues facing the Department and the wider health and care system, including risks and strategic priorities. The Board kept close watch on the financial position of the health and care system to maintain oversight of both near-term pressures and longer-term challenges.

265. The Board's role is to support, as well as challenge, the Department as it executes against a complex set of objectives. Non-executive members, with experience in the public, charitable and private sectors, and expertise in areas such as customer service, audit and organisational development, 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, improvements in management information and the implementation of significant organisational changes. Non-executive members also helped steer the implementation of the Department's own transformation programme which was announced shortly after the Spending Review settlement in November 2015.

266. Topics to which the Board devoted particular attention include:

- Maintaining oversight of the **performance** of the health and care system, ensuring that high quality outcomes and patient care remain at the top of the Department's agenda, whilst operating within the required financial envelope. To this end, one Non-Executive Board member also attended performance meetings of the Executive Committee of the Departmental Board. Given the on-going pressures on the system, the Board will continue to monitor current performance metrics, helping the Department to identify the root causes of performance challenges, and develop and implement plans to mitigate risks and improve outcomes.

- Regularly reviewing **financial performance and issues**. Given the financial constraints, it has been particularly important to ensure there is clarity on

priorities, a sustained focus on productivity improvement, including the elimination of waste and reduction in performance variation across the system. The Board has encouraged development of a more integrated set of performance metrics combining both patient outcomes and financial delivery.

- Sustaining focus on **longer-term financial sustainability and strategic priorities**. The Board engaged with the Spending Review negotiations and provided significant input into the Shared Delivery Plan - the strategic plan for the health and care system for the period 2016-17 to 2020-21. The Shared Delivery Plan is aligned with the objectives and priorities of the Five Year Forward View and sets how these will be achieved by the Department and its Arm's Length Bodies, such as NHS England, the Care Quality Commission, NHS Improvement, Health Education England and Public Health England. This integrated plan serves as a key tool for measuring progress on and for holding Arm's Length Bodies to account for delivery. The Board will continue to scrutinise and challenge progress reports to ensure the Shared Delivery Plan is implemented effectively.

- Refining the **governance approach across the health and care system as a whole**. The Board seeks to ensure effective governance, not just of the Department itself, but across the system, maintaining a clear line of sight into performance of the Arm's Length Bodies. To achieve greater consistency of risk identification and management across the system, we have reinforced linkages between the Audit & Risk Committees of the Department and its key Arm's Length Bodies. To ensure greater alignment on priorities, we have convened conferences and meetings of the Chairmen and Non-Executive members of the Boards of Arm's Length Bodies. We have put particular focus on the formation of NHS Improvement, as the successor to Monitor and the Trust Development Authority, providing support and challenge as this new entity has been put in place.

- Ensuring appropriate focus on **longer-term challenges and opportunities**. One example is the ambitious programme to sequence 100,000 genomes by the end of 2017. Sir John Chisholm, Executive Chair of Genomics England Limited, who leads this programme, joined the Board meeting in December to present on its progress and potential impact. Another example is the challenges posed by the increasing prevalence of obesity and thus the need for measures like the Soft Drinks Industry Levy announced in April 2016.

- Enhancing the approach to identifying and managing **strategic risks.** The Board reviewed the Department's approach to risk identification and management and agreed that the list of top risks should be shortened and that there should be "deep dives" on each of these top risks to ensure the right assessments and mitigating actions are in place. The Department's Audit and Risk Committee Chair has continued to hold meetings with Audit Committee chairs from across the Arm's Length Bodies 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

Forward Look

267. The challenges that the Board will help the Department respond to in the course of the next year or so include:
    - Maintaining oversight of system performance, deploying an increasingly integrated perspective encompassing both patient outcomes and financial metrics;
    - Ensuring sustained improvements in productivity, given the pressures on the Department's budget and challenges to the longer term affordability of the overall system;
    - Providing ongoing challenge to the Department and Arm's Length Bodies on delivery of the key priorities set out in the Shared Delivery Plan;
    - Providing oversight to the implementation of the Department's own transformation (DH2020);
    - Ensuring greater focus on the opportunities to use technology to deliver productivity gains and enhance outcomes; and
    - Continuing to drive improvements in quality and timeliness of management information and risk management process.

268. The Board effectiveness evaluation will be finalised over the coming months in order to ensure the Board is placed to support the health and care system in the face of these challenges.

Executive Board Membership 2015-16

269. Catherine Bell stepped down as a Non-Executive member of the Board at the end of May 2016, having served in this capacity for six years. Professor Chris Whitty joined the Department as Chief Scientific Adviser on 1st January 2016 and became a member of the Board from that date. Chris Wormald was been announced as successor to Una O'Brien as Permanent Secretary and took up post in May 2016. The changes in Ministerial membership during May 2015 are outlined in the Governance Statement section of this Annual Report.

Statement of Principal Accounting Officer's Responsibilities

270. Under the Government Resources and Accounts Act 2000 (the GRAA), 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 and the use of resources by the Department during the year and are subject to audit by the Comptroller and Auditor General. Note 4 of the financial statements discloses 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 shown as a non-cash item in Note 4.

271. 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 taxpayers' equity and cash flows for the financial year.

272. The Department has published the Accounting Officer System Statement outlining responsibilities and the relationships between Accounting Officers in the Departments, its Agencies and the NHS, last published in October 2014[51].

273. 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.

274. 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.

275. 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.

276. 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.

[51] https://www.gov.uk/government/publications/dh-accounting-officer-responsibilities-statement

277. 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.

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

Governance Statement

Scope of Responsibility

279. This Governance Statement covers the Department of Health Group and outlines how responsibility for the management and control of the Department of Health's resources were discharged during the year. Dame Una O'Brien was the Accounting Officer prior to her departure on 30th April 2016, so was in post for the entire year in question. Tamara Finkelstein, Chief Operating Officer, assumed interim Accounting Officer responsibilities for the period 16th April until 4th May 2016. After a thorough handover process, which included the provision of a range of formal assurances, I took on the role of Accounting Officer on 4th May. As such, I have assumed responsibility for signing off the Governance Statement for the year.

280. 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 published by HM Treasury and the Cabinet Office that relates to Ministerial Departments.

281. The Departmental Group is described in 'How we are organised' at the start of the Annual Report. Each of these bodies within the group has its own constitution and formal relationship with the Department. Consequently, the nature of control in the Department of Health group is 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.

282. 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 process for appointment of these Accounting and Accountable Officers is set out in the relevant legislation and guidance.

283. 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, who in turn, issue formal written delegations to these bodies.

284. 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.

285. The Department makes a number of grant payments to non-public sector bodies each financial year to support policy objectives, and also to Local Authorities, in line with governing legislation. The Department's central finance team provides ongoing assurance on monitoring the use of those funds, to ensure they represent value for money and they are contributing to outcomes for which the award has been given.

Departmental Governance

286. The membership of the Departmental Board is shown in the table below, it 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.

287. The Board provides the collective leadership of the Department and in particular has responsibility 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; and
- overseeing the Department's portfolio of major programmes and projects.

288. The Board also has responsibility for monitoring performance against key metrics, including efficiency metrics, corporate risks and seeking assurance over performance of the Department's sponsored bodies. The Board has kept the Department's strategic risk register under continuous review, with a meeting in the summer devoted to identifying and working through the Department's strategic risks. This has led to a significant revision of the high-level risk register and a new format for reporting risks. Discussions have also focused on finance and performance as well as preparing for and understanding the priorities of the new Government. The Audit and Risk Committee (ARC) has also had a role in reviewing the risk register and performing scrutiny of individual risks. The ARC regularly makes recommendations that other areas are reviewed and considered for inclusion, such as cyber-risk.

289. The Departmental Board had met on seven occasions in 2015-16 with additional visits arranged for non-executive Board meetings (the table below outlines board attendance). Four of the meetings over the course of the year focused on performance, at which the formal quarterly performance report and financial information were discussed. The other meetings focused on a range of issues of strategic importance; the July 2015 meeting took an in-depth look at strategic issues and risks. Secretary of State has gained the assurance over the running of the Department through focused meetings on his priorities with senior colleagues from our ALBs. Lord Prior chaired the final performance meeting of the year, and has chaired subsequent meetings.

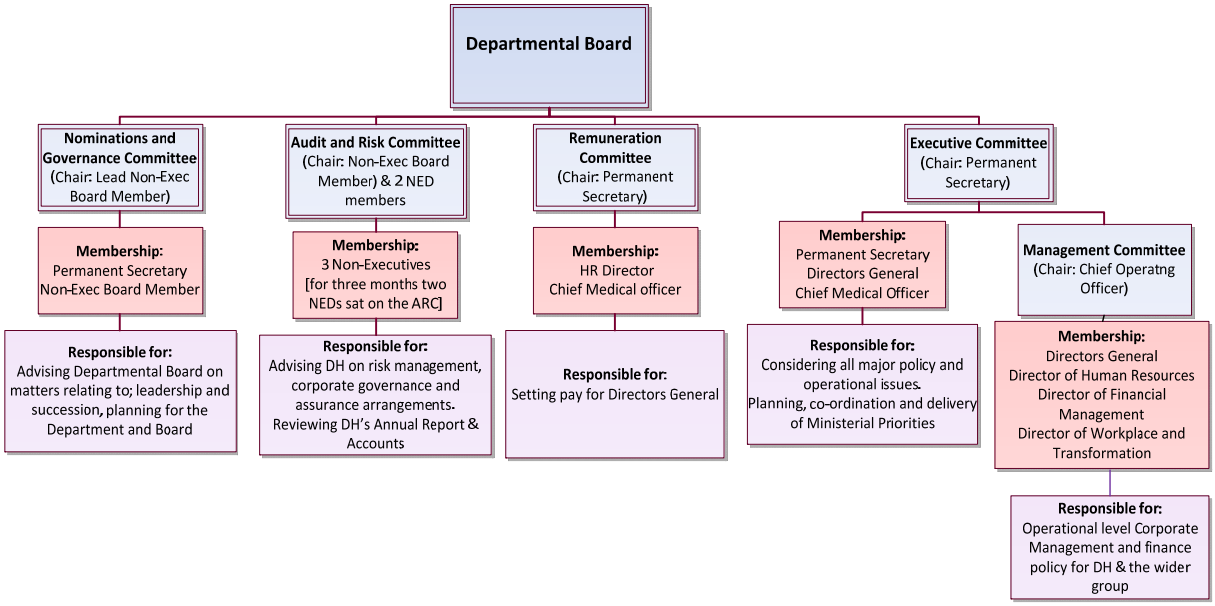
Table 19: Departmental Board Attendance

Member	No. of performance meetings attended	Meetings held during term
Secretary of State for Health	0	7
Minister of State for Care Services (until May 2015)	0	2
Minister of State for Community and Social Care (from May 2015)	2	5
Parliamentary Under Secretary of State for Public Health	3	6
Parliamentary Under Secretary of State for Health (until May 2015)	0	2
Parliamentary Under Secretary of State for Care Quality (from May 2015)	1	4
Parliamentary Under Secretary of State for Life Sciences	1	7
Parliamentary Under Secretary of State for Quality (Lords) (until 7 May 2015)	0	2
Parliamentary Under Secretary of State for NHS Productivity (from May 2015)	3	5
Una O'Brien CB, Permanent Secretary	7	7
Dame Sally Davies DBE, Chief Medical Officer	4	7
Richard Douglas, Director General for Finance, Commercial & NHS	2	2
David Williams, Director General for Finance, Commercial & NHS	7	7
Jon Rouse, Director General for Social Care, Local Government & Care Partnerships	6	7
Dr Felicity Harvey CBE, Director General for Public Health	5	7
Charlie Massey, Director General for Strategy & External Relations	6	7
Will Cavendish CB, Director General for Innovation, Growth & Technology	7	7
Professor Chris Whitty, Chief Scientific Adviser	1	1
Tamara Finkelstein, Chief Operating Officer	7	7
Peter Sands, Lead Non-Executive Board Member	7	7
Catherine Bell, Non-Executive Board Member	7	7
Chris Pilling, Non-Executive Board Member	6	7
Gerry Murphy, Non-Executive Board Member	7	7

Richard Douglas retired from the Department of Health at the end of May 2015. David Williams joined the Department in April 2015, initially taking on responsibilities as Director General for Finance and taking on the remainder of Richard Douglas's portfolio upon his retirement.

290. A significant revision to the committee structure supporting the Departmental Board was undertaken in early 2015 and took effect from April. The new structure is set out in the diagram below:

Figure 14: Departmental Board Structure



291. With this revision, the monthly Executive Board has been replaced by the weekly Executive Committee meeting. The People, Operations and Finance Board has been replaced by the Management Committee; this is a sub-committee of the new Executive Committee.

292. The Departmental Board's effectiveness evaluation was held during May and June. For 2015-16 the Board's focus was on preparing for and developing the priorities of the new Government and the performance of the system, as well as (through the Audit and Risk Committee) the development of its relationships with arm's length bodies. Arrangements for the Board are being discussed with a view to ensuring it supports delivery of the Shared Delivery Plan.

Assurance Framework, Risk Management and control issues

Core Department

293. The Department operates an accountability process based on compliance with a set of core assurance standards, including risk management. Each Director General (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 are designed to strengthen individual accountability within the Department for the stewardship of resources and ensure the delivery of corporate objectives.

294. 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.

295. The Department has been working closely with the Infrastructure (Major) Projects Authority on the implementation of a government-wide review of the appointment of SROs, as well as developing portfolio management for its programmes. The Department has committed that all appropriate SROs and Project Directors responsible for Government Major Projects Portfolio programmes will attend the Major Projects Leadership Academy and many are at advanced stages of their training.

296. The Department is committed to developing the maturity of our portfolio and its overall visibility during Q4 of the current financial year.

297. This will include a review of the current assurance arrangements in respect of the Portfolio taking into consideration the impact of the Spending Review: the development of the SDP and the new Target Operating Model. To better manage the Portfolio I have merged the Portfolio Offices to ensure synergies are realised in managing across the portfolio for both policy and informatics programmes.

298. The Audit and Risk Committee (ARC) has considered the way the Department has managed risk at its meetings during 2015-16. A standing item on all agendas was the scrutiny 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. In addition, ARC regularly challenges sponsors of ALBs on risk and accountability in respect of our ALBs.

299. Senior officials from the Department continue to routinely attend ALB ARC meetings in order to identify linkages between our risks and issues as a key part of our role as steward of the system. Senior colleagues will also meet the chairs of those ARCs over the next year.

300. Significant risks faced by the Department this year have included financial performance and sustainability of the Health and Care System and adequate social care provision. The Executive Committee, Audit and Risk Committee and Departmental Board members have challenged and advised on the controls and actions being taken to further mitigate these risks.

301. We continue to strengthen the risk management arrangements within the Department. Amongst the changes made, we have appointed a Chief Risk Officer, currently the Chief Operating Officer, to ensure that risk management is a key focus within the Department and its senior leadership. The governance arrangements have been clarified and new guidance and standardised risk reporting tools will be in place for Quarter 2 of 2016-17. Furthermore the Board also agreed that the top risks should undergo 'deep dives' to ensure the right assessments and mitigating actions are in place. The Management Committee has begun to perform deep dives and more are planned across the range of governance forums in 2016-17.

302. 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 assessments of Directorates. 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 have been noted.

303. The Department introduced a new Whistleblowing policy on 1 August 2015, based upon the best practice policy created by Civil Service Employee Policy. The new policy offers individuals a number of methods of raising a concern and is underpinned by a network of eleven Speakout Advisers within the Department. Speakout Advisers are individuals from various grades, positions and locations, who have been given training on whistleblowing and the departmental policy. They provide an easily accessible resource for individuals to speak to, if they have a whistleblowing concern and are uncertain how to address it. The Department has also appointed a Board level Speakout Champion, the Chief Operating Officer. The Director of Human Resources has examined the whistle-blowing policies and is content that our arrangements are satisfactory.

Role of Internal Audit

304. 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.

305. The Department's Internal Auditors operate in accordance with Public Sector Internal Audit Standards and to an agreed 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 Auditors also receive audit reports from the National Audit Office whose work holds Government Departments to account, on behalf of Parliament, for how they use public money. The Audit & Risk Committee receives a standing update at each meeting in order to support its role of considering DH's implementation of recommendations made by the Public Accounts Committee.

306. 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 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

307. Following completion of planned audit work for 2015-16 for the Department, the Head of Internal Audit has provided an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management, governance and internal control at the end of the year. This opinion is that Internal Audit can give reasonable

assurance that the Department had adequate and effective systems of control, governance and risk management in place for the reporting year 2015-16.

Arm's Length Bodies

308. Each ALB has a Senior Departmental Sponsor (at Director General level) whom they meet at least quarterly in accountability meetings focusing on operational delivery, financial performance, significant risks and how these are being managed. These risks are considered by the Senior Departmental Sponsor and will also be referenced as appropriate in the overall Departmental Risk Register. NHS England, Monitor and the NHS Trust Development Authority also have Ministerial meetings. Chairs of all ALBs have access to Ministers.

309. 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. There are a number of other organisations which feature in oversight arrangements provided by a Director General, such as Community Health Partnerships Ltd and NHS Property Services Ltd.

310. 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 7 December 2015 and applicable from 1 April 2016. 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 £69 billon is allocated to CCGs for which NHS England is accountable. Ministers continue to be accountable overall for the health service as a whole.

NHS

311. NHS Commissioners, NHS Trusts and NHS Foundation Trusts are all required to operate risk management procedures. For NHS Commissioners, these processes are set and managed by NHS England and further details are included in NHS England's Governance Statement 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. NHS Improvement will take over these functions in the coming year.

312. 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. Having brought Monitor and the TDA together in a single organisation, all NHS Trusts and Foundation Trusts will benefit from a more consistent and proactive approach to managing strategic and operational risks."

Key Governance Issues

Financial Risk and Sustainability

313. As set out in the body of the Annual Report, NHS providers (both NHS Foundation Trusts and NHS Trusts) have continued to face significant financial challenges in 2015-16 as pressures relating to the increasing demand for health services, new drugs and new treatments increase the costs of providing services and is outlined in the financial performance section.

314. The Department is leading work across the NHS on efficiency-related activities to put the NHS on a financially sustainable footing by enabling the NHS to live within its means, eliminate organisational deficits and ensure a balanced NHS budget in each year. The Department has been working with its ALBs, in particular NHS England and NHS Improvement, to set out and implement an overarching plan for delivering the year on year improvements in efficiency and productivity that are required in order to place the NHS on a secure and sustainable footing throughout the Parliament. This includes identifying and communicating the contributions that individual organisations and sectors are expected to make.

315. The plan focusses on the five areas: making better use of NHS providers' resources - money, technology, estates and people; this will account for the most substantial savings; reducing in the growth in demand for healthcare services through public health measures, services that better meet people's needs including better services out of hospital and smarter, data-driven commissioning; reducing some NHS costs by limiting pay increases and improving purchasing, Increasing income to the NHS through existing charges and commercial opportunities; and reducing the cost of the architecture that leads and manages the NHS.

Core performance standards

316. As set out in this Annual Report, performance against all operational performance standards (covering A&E admissions, Referral to Treatment and Waiting Times) was very challenging in 2015-16 and a number were missed.

317. Performance against these standards was monitored by the Departmental Board and featured as part of the cross-system risk management arrangements.

NHS Informatics and the Informatics Governance Review

318. New governance arrangements implemented during 2014-15 are developing well. A National Information Board and the Informatics Portfolio Management Board which provides system-wide assurance and portfolio management using HSCIC expertise to support delivery.

Other Governance Disclosures

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

National Insurance Contributions

320. During the year, the Department was notified by HMRC of an increase in the value of National Insurance Contributions it would receive, above the level anticipated in the original Main Estimate. In error, this increase was not reflected within the Department's Supplementary Estimate

National Insurance Contributions

Information Risk

321. The Department has not identified any major information risk control issues in 2015-16.

322. The Department did not need to formally report any personal data-related incidents to the Information Commissioner's Office in 2015-16. There were three data-related incidents, but none of these involved personal data. The Department ensured appropriate corrective action was taken following these incidents, reviewing internal processes and updating them where necessary. There were no incidents that required a report to the Information Commissioner.

Data Issues – NHS Shared Business Service

323. In March 2016, a serious incident was identified when NHS SBS, who provided primary care support (PCS) services to NHS England in several geographical areas during the financial year, reported a large backlog of unprocessed correspondence relating to patients. A national incident team was immediately established, and is currently managing the incident to make sure that all correspondence has been reviewed and associated patient related issues followed up appropriately. NHS England's internal audit services have been asked to review and report implications for PCS control and other NHS SBS services.

Data Issues – TPP Diagnosis Software

324. In May 2016, following the Department of Health being made aware of an issue relating to the QRISK2 Calculator in SystmOne run by TPP, an investigation was launched and co-ordinated by MHRA into an online tool used by some GPs to assess the potential risk of cardiovascular disease in patients. The Department sought clinical advice immediately which recommended the population-level risk to patients is small, however, GPs were informed and were asked to contact individual patients and determine if any further action is necessary.

Fraud, including prescription charge fraud

325. Since the creation of the DH Anti-Fraud Unit (AFU) in November 2014, work has been underway to co-ordinate the development and delivery of anti-fraud work across Health Group. A thorough review of counter fraud work across Health Group has been undertaken and, as part of the Spending Review outcomes, counter fraud work from April 2016 will be refocused on the priorities set out in the forthcoming 2016 to 2020 Health Group Anti-Fraud Strategic Plan. This plan is being developed in liaison with NHS England and NHS Protect and further discussions with other key stakeholders, such as NHS Improvement, will be taking place. It will include an annual action plan with priorities determined from the latest annual intelligent assessment.

326. Throughout 2015 the AFU has actively engaged with cross government anti-fraud work. This has included working in partnership with the Cabinet Office to develop cross Government standards for fraud investigations and intelligence functions. These standards will apply to both organisational and individual levels. The standards are designed to present a consistent cross-government approach to fraud and raise the quality organisations' anti-fraud work and the skills of their individuals. The standard's aim is twofold; to outline best practice for an organisation and to describe the skills needed for an individual to achieve proficiency in anti-fraud work.

327. Similar work is underway in areas of risk assessment, detection, measurement and use of data and analytics. Work has also taken place as part of a government-wide pilot to introduce a system for banning the re-employment for civil servants dismissed for committing fraud. Subject to evaluation, the intention is to roll this out to all Departments. The AFU is represented on the newly launched Fraud Prevention Panel. This panel is made up from representatives across government and private sector experts. The Prevention Panel meet quarterly to develop, review and sign-off methodologies for fraud prevention savings reported to the Cabinet Office. The AFU has ensured that DH has both a presence and influence on the Counter Fraud Professionals Board and Cross Sector Advisory Group. The AFU have also worked in partnership with Cabinet Office to raise awareness of grant fraud across government. This has included developing a "grants toolkit" for all government departments

328. Over 50 separate anti-fraud awareness sessions have been delivered by the AFU to both DH and its ALBs during 2015-16. These sessions highlight the importance of tackling fraud and corruption and give all staff details of how any concerns can be reported. This has been combined with more formal anti-fraud training for all DH policy staff by way of the DH Policy Certificate programme. The AFU have also engaged with the DH Nursery Milk Reimbursement Unit (NMRU) to provide fraud subject matter expertise in the retendering exercise for the nursery milk contract. In addition, the AFU have engaged with the Health and Social Care Information Centre (HSCIC) and Medicines and Healthcare products Regulatory Agency (MHRA) to assist in their development of organisational anti-fraud capabilities

329. During 2014-15 prescription fraud was estimated to have cost the NHS £237 million. A range of cost effective action is being taken forward, and in December 2014 the development of a new system to perform strengthened checks for eligibility to free prescriptions was announced. As part of this programme of work the NHS Business Services Authority (BSA), on behalf of NHS England, continues to undertake post dispensing checking and implements the penalty charge arrangements where appropriate. Phase 3 is planned to commence 1 April 2016 and it is anticipated that the volume of Penalty Charge Notices (PCNs) being issued will double, with at least 1 million PCNs being issued over the financial year to patients claiming to be exempt due to DWP related qualifying benefits, those claiming to be exempt due to medical, maternity, Low Income scheme, tax credit or those claiming to have a pre-payment certificate. Alongside the targeted publicity campaigns, to ensure patients are aware of when they may claim an exemption against prescription charges, this aims to achieve a reduction in overall losses. The level of losses will be re-measured at an appropriate point during the programme. The DH remains responsible for policy on prescription charges, and for the content of the prescription form itself.

330. A 2012 NHS Protect loss analysis exercise showed that dental contractor fraud is estimated to have cost the NHS £73.1 million in 2009-10. As a result, NHS England and BSA have commenced a work programme to maximise behavioural change amongst dentists and take positive action against those dentists where there is evidence of fraud and/or excessive, inappropriate claiming. A key objective for the programme was to achieve behaviour change and to effect a reduction in the rate of 28 day re-attendance claiming. Extrapolating the current rate reduction to the rest of the first year of the programme (based on 2014-15 activity) allows us to predict benefits to the NHS in terms of dental activity freed up for patients of around £8.7 million. As with the prescription

charge initiative, the level of losses will be re-measured at an appropriate point during the programme.

Compliance with Equality and Human Rights Legislation

331. The Department continues to operate a director-led Equality Assurance Framework which was put place in April 2013. Designated directors from each DH directorate maintain a rolling register of work carried out in their areas to discharge our statutory equality duties and meet with the DG level SRO for Equality on a quarterly basis to discuss any areas of concern. If necessary, issues can be escalated to the DH Executive Committee. This group of directors also monitor progress against the delivery of the Department's equality objectives covering the period from 2015-2016.

332. As in previous years, DH published a summary of equality information relating to its policies and workforce, by 31 January 2016 as required. In 2016, DH will undertake an internal audit of its equality assurance arrangements to ensure that they are fit for purpose and ensure continuous improvement.

333. DH continues to meet with the Equality and Human Rights Commission regularly to discuss any areas of concern and explore opportunities for joint working.

Macpherson Review and Quality Assurance

334. The Macpherson Review[52] made a number of recommendations to ensure that analytical models used in critical areas of our activity are subject to appropriate quality assurance. Since it initially reported we have implemented a comprehensive framework of assurance across the Department and its arm's length bodies to support quality data models. The framework 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 process is now fully embedded and the oversight committee has addressed the recommendations of an in-year audit in early 2015, and taken on board the advice of our own Audit and Risk Committee, as well as complying fully with HM Treasury guidance published in March 2015.

Conclusion

335. The Audit and Risk Committee has advised me that there is no reason of which it was aware that I should not sign this statement and that there are effective governance arrangements in place.

[52] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206946/review_of_qa_of_govt_analytical_models_final_report_040313.pdf

Remuneration and Staff Report

Remuneration Report

336. This Remuneration Report covers Ministers, Non-Executive Directors and Directors General (DGs)/Senior Officials in the Department of Health and is compliant with EPN 452 guidance.

337. The following elements of the Remuneration Report are subject to audit:
- Salaries (including non-consolidated performance pay, pay multiples) and allowances;
- Compensation for loss of office;
- Non-cash benefits;
- Pension increases and values;
- Cash Equivalent Transfer Values (CETV) and increases;

Remuneration Policy 2015-16

338. 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[53]).

339. The remuneration of the Permanent Secretary and the Chief Medical Officer is determined by the Permanent Secretaries Remuneration Committee. The committee comprises of members of the SSRB, the Head of the Home Civil Service and the Permanent Secretary of HM Treasury.

340. The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles[54] published by the Civil Service specify the circumstances when appointments may otherwise be made.

341. 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[55].

342. The Independent Parliamentary Standards Authority (IPSA) determines Members of Parliament pay and pensions and oversees and regulates their business costs and expenses.

343. 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.

Department of Health's SCS Reward Strategy 2015-16

344. The remuneration of Senior Civil Servants is determined in accordance with the rules set out in the Civil Service Management Code[56] and in line with the annual SCS framework guidance issued by Cabinet Office. Departments are given some discretion within the broader Cabinet Office pay guidance to develop their pay strategy to meet local needs and these are outlined in an annual reward strategy.

[53] https://www.gov.uk/government/publications/37th-annual-report-on-senior-salaries-2015
[54] http://civilservicecommission.independent.gov.uk/civil-service-recruitment/
[55] www.civilservicepensionscheme.org.uk/civil-service-compensation-scheme.
[56] http://civilservicecommission.independent.gov.uk/civil-service-code/

345. The Department's annual SCS Reward Strategy was agreed by the Executive Board and ratified by the Nominations and Governance Committee.

346. From 1 April 2015, 1% of the Senior Civil Service (SCS) paybill was available for consolidated pay awards. The Department followed a similar approach to the 2014-15 SCS reward strategy and targeted the pay award towards those lower in their respective pay range. The targeted consolidated increases were made by applying "breakpoints" in each SCS Pay Band and differentiating the consolidated increases based on where staff were positioned in relation to the respective breakpoint. The breakpoints remained at the levels as set for 2014-15, which for Directors General (SCS3 Pay Band) was £140,000.

347. The pay award was paid as a flat cash rate increase rather than a percentage uplift, this delivered a higher reward to those who earned less in comparison with their peers. SCS below the breakpoint for their respective grade received a consolidated pay award of £1,000 and those above the breakpoint received £250. Any staff in the bottom 10% performance group were ineligible for an award in line with Cabinet Office guidance.

Remuneration of Ministers 2015-16

348. Following the General Election in May 2015, three Ministers left their posts, three were newly appointed and three were invited to remain in post under the new Government. The table below details shows all Ministers in post during the 2015-16 financial year and where appropriate date of departure.

Table 20: Ministers of the Department

Minister	Position	Date of Appointment
Rt Hon Jeremy Hunt MP	Secretary of State	04 September 2012
Rt Hon Alistair Burt	Minister of State for Community and Social Care	12 May 2015
Ben Gummer MP	Parliamentary Under Secretary for Care Quality	12 May 2015
Ms Jane Ellison MP	Parliamentary Under Secretary for Public Health	07 October 2013
George Freeman[1]	Parliamentary Under Secretary for Life Sciences	15 July 2014
Lord Prior of Brampton	Parliamentary Under Secretary for NHS Productivity	12 May 2015
Mr Norman Lamb MP	Minister of State	05 September 2012 - 08 May 2015
Dr Daniel Poulter MP	Parliamentary Under Secretary	05 September 2012 - 11 May 2015
Earl Howe	Parliamentary Under Secretary	14 May 2010 - 11 May 2015

1 Minister shared with Department for Business, Innovation and Skills

Remuneration of Senior Officials on the Departmental Board

349. The following table details the dates of appointment, and where appropriate, departure, of officials sitting on the Departmental Board in 2015-16.

Table 21: Senior Officials on Departmental Board

Individual	Position	Date of Appointment
SCS Contract		
Will Cavendish	Director General of Innovation, Growth & Technology	10 June 2014
Richard Douglas	Director General of Finance and NHS	1 May 2001 - 31 May 2015[1]
Tamara Finkelstein	Chief Operating Officer & Director General of Group Operations	29 September 2014
Dr Felicity Harvey	Director General of Public Health	01 April 2012
Charles Massey	Director General of External Relations	01 May 2012
Una O'Brien	Permanent Secretary	1 November 2010 - 30 April 2016
David Williams	Director General of Finance, Commercial and NHS	16 March 2015
Fixed Term Appointments		
Professor Dame Sally Davies	Chief Medical Officer	1 June 2011[2]
Jonathan Rouse	Director General of Social Care, Local Government & Care	11 March 2013
Secondment		
Professor Christopher Whitty	Chief Scientific Adviser	1 Jan 2016[3]

1 Richard Douglas took early retirement on 31 May 2015.

2 Chief Medical Officer from 3 March 2011 to 31 May 2011 whilst on secondment from North West London Hospital

3 The Chief Scientific Adviser is seconded from the London School of Hygiene & Tropical Medicine.

350. Professor Christopher Whitty was appointed as Chief Scientific Adviser on secondment from 1 January 2016 to 31 December 2018 from the London School of Hygiene and Tropical Medicine (LSHTM). The Department will be responsible for reimbursing four fifths (80%) of his basic salary and clinical excellence award. This report is based on accrued payments made by the Department and this is recorded in these accounts.

Salary

351. '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.

352. 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 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.

353. 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 22.

354. George Freeman MP was jointly appointed Parliamentary Under Secretary of State for Life Sciences at the Department for Business, Innovation and Skills (BIS) and the Department of Health. His salary is being met in full by BIS and will be disclosed in their Annual Report and Accounts.

Non-Consolidated Performance Pay

355. The performance management and reward policy for members of the 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 the top 25% of performers within the SCS. The Senior Civil Service Performance Management and Reward principles include explanations of how non-consolidated performance awards are determined[57].

356. SCS non-consolidated performance pay is agreed each year following the SSRB recommendations, and is expressed as a percentage of the Department's total base paybill for the SCS. Non-consolidated performance related pay is awarded in arrears.

357. The non-consolidated performance pay included in the 2015-16 figures in Table 23 relates to awards made in respect of the 2014-15 performance year but paid in financial year 2015-16. In a departure from the Department's approach applied in previous years, it was agreed that awards would not be differentiated by grade. An award of £11,000 was paid to the top 25% performers in each SCS pay band.

Benefits in Kind

358. 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.

359. Dame Sally Davies has occasional use of an official car and taxis for the journey between her home and office. The benefit in kind amounted to £800 (gross of tax) in 2015-16.

360. The tables below provides details of remuneration interests of the Ministers of the Department and senior officials serving on the Departmental Board for the years 2014-15 and 2015-16 and are subject to audit.

[57] https://www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward

Table 22: Remuneration of Ministers of the Department

Minister	Salary (£)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000)[4]		Total (to nearest £1000)	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015	2015-16	2014-15
Jeremy Hunt [1]	67,505	67,505	Nil	Nil	33,000	22,000	101,000	90,000
Alistair Burt[1,9]	28,103	-	Nil	-	18,000	-	46,000	-
Ben Gummer[1,10]	19,849	-	Nil	-	5,000	-	25,000	-
Jane Ellison [1]	22,375	22,375	Nil	Nil	7,000	7,000	29,000	29,000
George Freeman [5]	-	-	-	-	-	-	-	-
Lord David Prior [6]	93,213	-	Nil	-	16,000	-	109,000	-
Norman Lamb [1,3]	3,321	31,680	Nil	Nil	1,000	11,000	4,000	43,000
Daniel Poulter [1,7]	2,526	22,375	Nil	Nil	1,000	7,000	4,000	29,000
Earl Howe [2,8]	9,811	86,893	Nil	Nil	3,000	24,000	13,000	111,000

1. The Government has determined that Ministers should receive salaries at the same rate as claimed by equivalent ministers in previous governments since 2010. Therefore the serving ministers have agreed to waiver any ministerial increases in their salary for the duration of this Parliament.

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 in each of the respective financial years which amounted to £18,183 in 2014-15 and £2,053 in 2015-16.

3. Minister left office on 8 May 2015 and the salary for 2015-16 reflects the period 1/4/2015-08/05/2015. The full salary for the year was £31,680.

4. 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.

5. Minister joined Department on 14/07/2014 as Parliamentary Under Secretary of State for Life Sciences. He is shared with the Department for Business Innovation & Skills (BIS) and his full salary costs are met by BIS. The details of which will be published in their 2015-16 annual accounts.

6. Lord Prior's salary includes the Lords Ministers Night Subsistence Allowance(LMNSA). He received £57,258.30 Ministerial Salary and £32,260.16 LMNSA and arrears of £3694.09 for the period 12/5/2015-31/5/2015 . For the full year he is entitled to receive £68,710 Ministerial Salary and £36,366 LMNSA .

7. Minister left office on 11 May 2015 and the salary for 2015-16 reflects the period 1/4/2015 -11/5/2015. The full salary for the year was £22,375.

8. Minister left office on 11 May 2015 and his salary and Lords Minister Night subsistence allowance for 2015-16 reflects the period 1/4/2015-11/05/2016. The full ministerial salary for the year was £68,710.

9. The Minister was appointed on 12 May 2015 and the salaries reflects that period 12/5/2015-31/3/2016.) The full ministerial salary for the year was £31,680.

10. The Minister was appointed on 12 May 2015 and the salaries reflects that period 12/5/2015-31/3/2016. The full ministerial salary for the year was £22,375.

Table 23: Remuneration of Senior Officials on the Departmental Board

Officials	Salary (£'000)		Non Consolidated Performance Related Pay (£'000)		Gross Benefits in Kind (to nearest £100)		Pension Benefits to nearest (£'000)[3]		Total to nearest (£'000)	
	2015-2016	2014-2015	2015-2016[1]	2014-2015[2]	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Will Cavendish[5,6,7]	120-125	90-95	Nil	-	Nil	Nil	42	(2)	160-165	85-90
Professor Dame Sally Davies	205-210	200-205	15-20	Nil	800	4,500	84	75	310-315	280-285
Richard Douglas [4]	25-30	140-145	10-15	10-15	Nil	Nil	5	14	40-45	170-175
Tamara Finkelstein [6]	120-125	60-65	Nil	-	Nil	Nil	177	11	295-300	70-75
Felicity Harvey	135-140	130-135	10-15	Nil	Nil	Nil	41	29	185-190	160-165
Charles Massey	130-135	130-135	Nil	10-15	Nil	Nil	59	28	190-195	175-180
Una O'Brien	160-165	160-165	Nil	15-20	Nil	Nil	60	56	225-230	235-240
Jonathan Rouse	140-145	140-145	10-15	Nil	Nil	Nil	56	53	205-210	190-195
Professor Christopher Whitty[8,9]	25-30	-	Nil	-	Nil	-	7	-	30-35	-
David Williams[10]	135-140	-	Nil	-	Nil	-	101	-	235-240	-

1. Non Consolidated Performance Related Pay is paid in arrears, therefore the Non Consolidated Performance Related Pay paid in 2015-16 relates to the 2014-15 performance year.

2. Non Consolidated Performance Related Pay is paid in arrears. Therefore the Non Consolidated Performance Related Pay paid in 2014-15 relates to the 2013-14 performance year.

3. 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 contribution made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to transfer of pension rights.

4. Richard Douglas took early retirement on the 31 May 2015 and the salary reflects his pay for the period 1/4/2015-31/5/2015

5. Will Cavendish's total pension benefit in 2014-15 was negative due to the fact of his part year appointment.

6. Will Cavendish was appointed on 10 June 2014 and Tamara Finkelstein on 29 September 2014, as such their salaries in 2014-15 reflect part year. The full year equivalent salaries are £120k-£125K respectively.

7. In line with Cabinet Office guidance for staff who transfer mid month, the receiving Departments do not add staff to their payroll until the start of the new month and adjustments are made to reflect any difference between the departments' salaries. Will Cavendish received additional arrears to account for period 10 June to 1 July 2014 to account for an increase in his salary.

8. Professor Whitty was appointed on 1 January 2016 on secondment from the London School of Hygiene and Tropical Medicine for four days per week. His salary reflects the period for the 1/1/2016 -31/3/2016 and the department pays 80% of his full time equivalent salary. The salary in the table represent the proportion the department pays only not his full salary. In addition, the Department also contributes towards his pension scheme and NI costs which are not included above.

9. Professor Whitty's pension benefit above reflects the period in which he was appointed to DH (1/1/2016 -31/3/2016) and the 80% proportion that DH contributes towards his pension scheme.

10. David Williams was appointed on 16th March 2015. In line with Cabinet Office guidance for staff who transfer mid month, the receiving Departments do not add staff to their payroll until the start of the new month and adjustments are made to reflect any difference between the departments' salaries. He received additional arrears to account for period 16 March to 31 March due to an increase in his salary and these arrears were paid in 2015-16 .

Median Earnings

361. Departments are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

362. The table below details median earnings for the Core Department and our Executive Agency, Public Health England (PHE).

Table 24: Median Earnings

	Core Department		Department & Executive Agencies Combined [1]	
	2015-2016	2014-2015	2015-2016	2014-2015
Band of Highest Paid Director's Total remuneration (£000)[2]	225-230	205-210	225-230	215-220
Band of lowest paid	15-20	15-20	15-20	15-20
Median Total Remuneration	£40,035	£40,317	£37,829	£37,454
Ratio	5.7	5.1	6.0	5.8

1. 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.

2.Salaries for senior management are disclosed in bands of £5000, in accordance with EPN430 guidance.

363. The banded remuneration of the highest paid Director for the financial year 2015-16 was £225,000 – £230,000 (2014-15, £205,000 - £210,000). This was 5.7 times (2014-15, 5.1) the median remuneration of the workforce, which was £40,035 (2014-15, £40,317).

364. No DH core employees in either 2015-16 or 2014-15 received remuneration in excess of the highest paid Director. Remuneration ranged from £17,800 to £226,700 (2014-15, £17,600 and £206,000).

365. 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.

366. The 0.6 variance between the 2014-15 and the 2015-16 core Department's median earnings are related to the distribution of staff within their respective payscales. New recruits normally join the Department on the minimum of the appropriate payscale. In 2015-16, payscale minimums were revalorised and payscale maximums were frozen. During periods of ongoing pay restraint, with pay awards averaging 1%, pay progression is minimal. The highest paid official also received a performance related non-consolidated pay award during 2015-16.

Civil Service Pensions

367. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

368. 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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April

2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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).

369. Employee contributions are salary-related and range between 3.0% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

370. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3.0% and 12.5% up to 30 September 2015 and 8.0% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

371. 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 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but

note that part of that pension may be payable from different ages).Full details of the Civil Service pension arrangements can be found on the website[58].

Ministerial Pensions

372. Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers Pension Scheme 2015.[59]

373. 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). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1st April 2013 have transitional protection to remain in the previous final salary pension scheme.

374. Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

375. The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

376. The tables below provide the details of the pension interests for the Department's Officials and Ministers for 2014-15 and 2015-16 and are subject to audit.

Table 25: Pension Information of Senior Officials on the Departmental Board

		Accrued pension at pension age as at 31/03/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/16	CETV at 31/03/15	Real increase in CETV	Employer contribution to partnership pension account
		£'000	£ '000	£ '000	£ '000	£'000	Nearest £100
Will Cavendish	Director General of Innovation, Growth & Technology	40-45	2.5-5	646	558	32	N/A
Professor Dame Sally Davies	Chief Medical Officer	20-25	5-7.5	410	330	71	N/A
Richard Douglas	Director General of Finance & NHS	65-70 plus lump sum of 195-200	0-2.5 plus lump sum of 0-2.5	1,445	1,420	5	N/A
Tamara Finkelstein	Chief Operating Officer & Director General for Group Operations	45-50	7.5-10	717	543	118	N/A
Felicity Harvey	Director General of Public Health	60-65 plus lump sum of 185-190	0-2.5 plus lump sum of 5-7.5	1,440	1,304	42	N/A
Charles Massey	Director General of External Relations	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 0-2.5	573	530	22	N/A
Una O'Brien	Permanent Secretary	50-55 plus lump sum of 160-165	2.5-5 plus lump sum of 7.5-10	1,203	1,066	60	N/A
Jonathan Rouse	Director General of Social Care, Local Government and Care Partnerships	10-15	2.5-5	113	71	22	N/A
Professor Christopher Whitty[1,2]	Chief Scientific Adviser	10-15plus lump sum of 15-20	0-2.5 plus lump sum of minus 0-2.5	138	N/A	7	N/A
David Williams	Director General of Finance, Commercial and NHS	45-50 plus lump sum of 125-130	5-7.5 plus lump sum of 5-7.5	748	N/A	57	N/A

1. Professor Whitty was appointed on 1 January 2016 on secondment from the London School of Hygiene and Tropical Medicine for four days per week. His pension reflects the period for the 1/1/2016 - 31/3/2016 only and the 80% that the Department contributes towards the pension costs.
2. The minus figure in the pension related lump sum reflects a salary reduction in 2015-16 compared with the previous year.

[58] http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/
[59] http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Table 26: Pension Interests of Ministers

	Accrued pension at 65 as at 31/03/16 (£ '000)	Real increase in pension at age 65 (£ '000)	CETV at 31/03/16 (£ '000)	CETV at 31/03/15[2] (£ '000)	Real increase in CETV (£ '000)
Jeremy Hunt	10	2	134	106	17
Alistair Burt	7	1	123	102	15
Jane Ellison	1	0	16	9	4
Ben Gummer	0	0	3	0	1
George Freeman[1]	-	-	-	-	-
Lord Prior	1	1	18	0	12
Norman Lamb	4	0	60	58	1
Daniel Poulter	1	0	14	13	0
Earl Howe	17	0	338	334	3

1. Minister is shared with the Department for Business Innovation & Skills (BIS) and his pension details will be published in their 2015-16 annual accounts.
2. The "CETV at 31/3/2015" figure this year may not match the "CETV at end date" published in the 2014-15 annual accounts. This is due to the change in transfer factors used by the PCPF. The factors were changed in March 2016 following updated guidance from HM Treasury which sets the financial assumptions to use to calculate CETVs from PCPF. [60]

Cash Equivalent Transfer Values

377. 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, relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

378. 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. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 taken.

379. 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.

[60] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508105/Basis_for_setting_the_discount_rate_for_calculating_cash_equivalent_transfer_values_payable_from_the_public_service_pension_schemes.pdf.

Real Increase in CETV

380. This reflects the increase in CETV that is funded by the employer or the Exchequer, in the case of Ministers. It excludes increases due to inflation, contributions paid by the employee or Minister (including the value of any benefits transferred from another pension scheme or arrangement). It is worked out using common market valuation factors for the start and end of the period. Table 25 and 26 above include the CETV increases.

Non-Executive Directors

381. In line with Cabinet Office guidance, the Departmental Board has four non-executive board members.

382. 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 support and provide an external source of challenge to Government Departments, and take up roles in Departmental governance. As such they attend and contribute to Departmental Board meetings, which involve an estimated time commitment of eleven three-hour meetings, and occasional overnight events per year. The Non-Executive Members also make a significant contribution to Departmental business by working through Committees and with senior officials.

383. One of the Non-Executive members chairs the Department's Audit and Risk 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 Department's Executive Committee has also had non-executive membership with a NED attending performance meetings.

384. The following table details the dates of appointment, and where appropriate, departure of Non-Executive Directors sitting on the Departmental Board during 2015-16.

Table 27: Non-Executive Directors of the Department

	Period of Appointment
Catherine Bell	01 January 2011 - 31 May 2016
Peter Sands	01 May 2011
Chris Pilling	01 April 2011
Gerry Murphy	01 August 2014

385. Catherine Bell was initially appointed to the Departmental Board on a 3 year fixed-term contract from 1 January 2011. 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 2015 & 31 March 2016 amounting to £691.50.

386. Peter Sands was reappointed for a further 3 years from 1 May 2014 to 30 April 2017.

387. Chris Pilling's appointment was extended for a further period from 1 April 2014 to 30 November 2016.

388. Both Peter Sands and Chris Pilling waived their fees and are reimbursed for their expenses only. They have not made any expense claims for 2015-16.

389. Gerry Murphy was appointed as a Non-Executive Board Member from 1 August 2014 for a 3 year period. He was paid fees of £20,000 per annum (£15,000 as a Non-Executive Director and £5,000 as Chair of the Audit and Risk Committee). He has not made any expense claims for 2015-16.

390. Non-Executive Directors fees are not pensionable.

Compensation for Loss of Office

391. There were two payments made for loss of office during 2015-16 to ministers following the General Election.

392. In accordance with the Ministerial and Other Pensions and Salaries Act 1991 on leaving office, Ministers who have not attained the age of 65, and are not appointed to a relevant Ministerial or other paid office within three weeks, are eligible for a severance payment of one quarter of the annual ministerial salary being paid. These payments are exempt from tax under the provision of section 291 of the Income Tax (Earnings and Pensions) Act 2003 and the payments are also not pensionable.

393. The table below outlines the payments made to the respective Ministers.

Table 28: Payments made to Ministers for loss of office

Former Ministers and Last Date of Service	Post	Severance Pay (£)
Norman Lamb MP 08 May 2015	Minister of State	£7,920
Dan Poulter MP 11 May 2015	Parliamentary under Secretary of State	£5,594

Staff Report

394. This Staff Report summarises the Department's key staffing information and policies.The staff costs, numbers and exit packages disclosures are subject to audit.

395. The Department employed an average of 1,887 permament whole time equivalent (WTE) persons during 2015-16 at a cost of £106.1 million, compared to 1,859 at a cost of £103.2 million in 2014-15. A breakdown of staff numbers and associated costs for the Department and Group is included in tables 29 & 30 below.

396. The Department's staff grading structure is reflective of seniority within the organisation and covers a range of roles; Administrative (AO); Managerial (EO, Fast stream, HEO, SEO); Senior Management (Grade 6 & 7); Senior Civil Service (SCS1 (Deputy Director), SCS2 (Director), SCS3 (Director General)). Figure 15 outlines the gender distribution of core Departmental staff in post as at 31 March 2016 and is consistent wth ONS reporting methodologies.

397. The Department has continued to reduce the number of days lost to short term and long term sickness, falling from 3,815 and 4,975 in 2014-15 to 3,348 and 4,480 in 2015-16. Our average number of days lost due to sickness of 4.0 days is significantly below the civil service average of 7.3 days.

4 days sickness compared to 7.3 days across Civil Service

398. The Department utilises off-payroll, temporary and consultancy staff where it is necessary and prudent to do so. This year we spent £7.7 million on consultancy compared to £8.6 million last year and spent £13.2 million on temporary staff compared to £19.7 million last year.

Equal Opportunities Policy

399. The Department 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.

400. The Department's strategic commitments to equal opportunities and diversity incorporate an extensive range of activities, and include goals to strengthen diversity in the more senior grades, HEO and above; equalities analysis of 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[61] and Annual Equalities Information Report[62].

401. At an operational level, the Department's Equal Opportunities Policy underpins the development and implementation of all policies, guidance and activities.

[61] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/401180/DH_equalities_2015_acc.pdf
[62] https://www.gov.uk/government/publications/workforce-equality-information-2015

402. The Department uses a range of measures to track progress – including trends in staff survey data, and participation in Civil Service wide and external benchmarking exercises such as the cross-sector Stonewall Workplace Equality Index and expert advice from organisations such as the Business Disability Forum and Equal Approach. The Department also implements the recommendations from the Civil Service Talent Action Plan and the Removing Barriers to Success programme.

Recruitment and Retention of Disabled Persons

403. The Department has a number of policies and activities in place to aid the recruitment and retention of disabled staff. These include: involving the disabled staff network in the assessment (by equality) of 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 part in a cross-government talent programme to develop the skills required for progression to higher grades.

Staff Data

404. The following tables summarise key staff information for the **core Department** and **Departmental Group** and are subject to audit.

Table 29: Staff costs for the Departmental Group comprise:

					2015-16 £'000	2014-15 £'000
	Permanently employed staff	Others	Ministers	Special advisors	Total	Total
Salaries and wages	38,127,507	5,892,157	212	212	44,020,088	42,540,981
Social Security costs	2,989,917	74,175	24	24	3,064,140	3,007,037
NHS Pension	4,545,060	91,406	-	-	4,636,466	4,460,341
Other pension costs[1]	69,730	249	-	33	70,012	35,258
Termination benefits	74,169	14,013	14	-	88,196	129,917
Sub-total	**45,806,383**	**6,072,000**	**250**	**269**	**51,878,902**	**50,173,534**
Less recoveries in respect of outward secondments	(23,340)	(47,796)	-	-	(71,136)	(79,890)
Total Net Costs	**45,783,043**	**6,024,204**	**250**	**269**	**51,807,766**	**50,093,644**

1. The 2014-15 Other Pension Costs figure is shown net off a one-off accrual reversal of £12.1 million within the core Department. The accrual was reversed and re-categorised as a provision due to uncertainty over the timing and amount of the liability.

Table 30: Average number of whole-time equivalents employed – Departmental Group

					2015-16 Number	2014-15 Number
	Permanent staff	Others	Ministers	Special Advisors	Total	Total
Core Department						
Core Department	1,887	168	6	3	2,064	2,114
Executive Agencies						
Public Health England	4,963	391	-	-	5,354	5,558
Other designated bodies						
NHS Providers	1,019,589	108,219	-	-	1,127,808	1,099,123
Special Health Authorities[1]	3,028	112	-	-	3,140	5,312
NHS England Group	18,807	11,728	-	-	30,535	30,642
Non Departmental Public Bodies[1]	8,829	828	-	-	9,657	6,298
Others	3,082	520	-	-	3,602	2,737
Total	**1,060,185**	**121,966**	**6**	**3**	**1,182,160**	**1,151,784**

1. HEE changed status from a Special Health Authority to a Non Departmental Public Body on 1 April 2015.

405. Of the above, the following staff were engaged on capital projects.

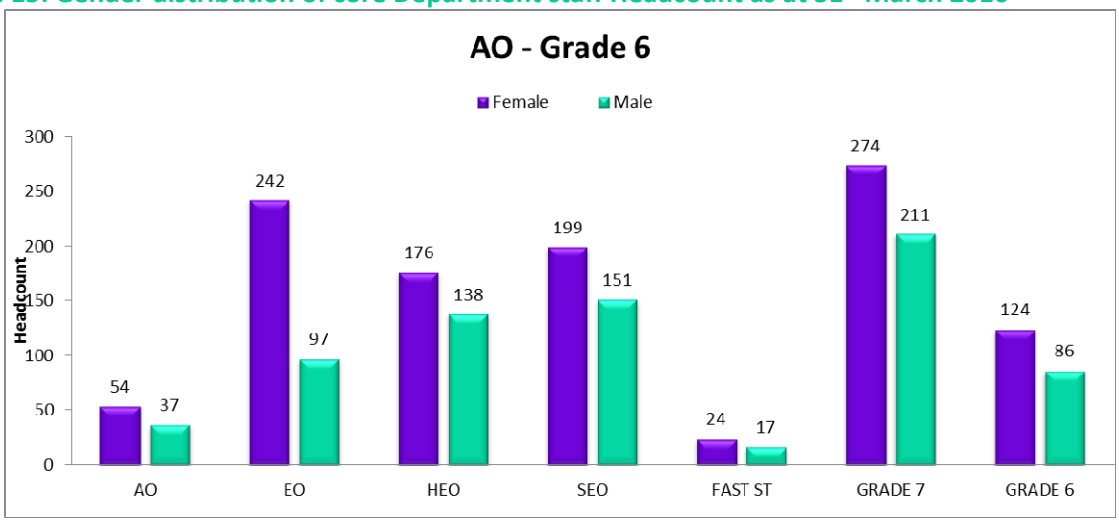
Table 31: Breakdown of staff engaged on capital projects

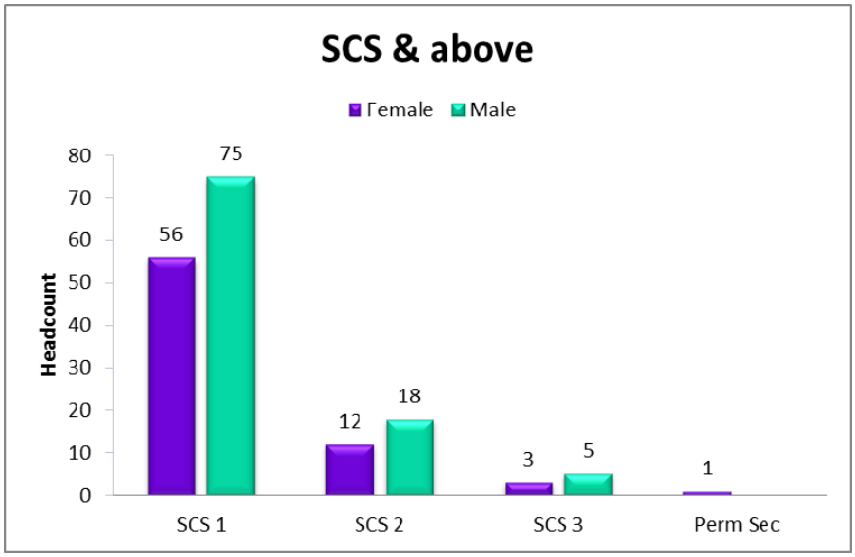
Of the above, the following staff were engaged on capital projects:					2015-16 Number	2014-15 Number
Core Dept & Agencies (including DH Informatics Directorate)	10	2	-	-	12	9
Other designated bodies	2,378	1,155	-	-	3,533	3,077

The average number of WTE persons employed during 2015-16 by NHS providers is included in table 30 above, amounting to 1,121,103 in 2015-16.

406. Further details of staff employed within NHS organisations is available via the HSCIC[63], who publish on a monthly basis a breakdown of staff employed within the NHS Hospital and Community Health Service (HCHS). The data can be broken down by headcount, WTE, organisation, staff group and is the definitive source for NHS staffing information. Details of each NHS organisation can also be found in their own Annual Report and Accounts.

Figure 15: Gender distribution of core Department staff Headcount as at 31st March 2016





[63] http://www.hscic.gov.uk/searchcatalogue?productid=20878&topics=1%2fWorkforce%2fStaff+numbers&sort=Relevance&size=10&page=1#top

Consultancy, Temporary and Agency workers

407. The table below provides details of expenditure on Consultancy, Agency and Temporary workers by the core Department and bodies within the Departmental Accounting Boundary. The definition for consultancy and temporary agency workers is in line with HM Treasury Guidance. The consultancy values are reported on a resource basis, consistent with the accounts and reconcile to the figures reported in Note 4.

408. 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 elimination.

Table 32: Expenditure on Consultancy, Agency and Temporary Workers

	2015-16		2014-15	
	Consultancy £'000	Temporary Agency £'000	Consultancy £'000	Temporary Agency £'000
Total DH Core	7,657	13,191	8,691	19,705
Executive Agencies	-	22,023	194	19,026
Other Designated Bodies	425,007	4,095,713	596,573	3,723,716
Gross Total	**432,664**	**4,130,927**	**605,458**	**3,762,447**
Eliminations	(268)	-	(1,243)	-
Total Departmental Group (after eliminations)	**432,396**	**4,130,927**	**604,215**	**3,762,447**

Off-Payroll Engagements

409. 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 2016 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.

410. The core Department undertook a review of it's policies and procedures during the financial year and introduced a centralised approvals process pertaining to off-payroll tax assurance. We have worked extensively througout the year with our ALBs to provide training and advice whilst performing due diligence to ensure the rules pertaining to off-payroll tax assurance were understood with sufficient processes and procedures in place to substantially mitigate risk. As a result, all appointments have been subject to a risk based assessment regarding the payment of the correct tax.

411. On the advice of HM Treasury, secondments have been included within our off-payroll figures for the core Department. Secondments engaged as at 31 March 2016 accounted for 44 of the off-payroll workers with 22 having reached six months during the financial year. We had no change of policy relating to the engagement of off-payroll workers during 2015-16 and continue to utilise off-payroll workers only where it is necessary and prudent to do so.

Table 33: Off-payroll engagements

Table a: For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	Core Dept & Agencies	ALBs
Number of existing engagements as of 31 March 2016*	134	1,152
Of which…..		
Number that have existed for less than one year at time of reporting	82	597
Number that have existed for between one and two years at time of reporting	24	323
Number that have existed for between two and three years at time of reporting	9	210
Number that have existed for between three and four years at time of reporting	2	12
Number that have existed for four years or more years at time of reporting	17	10

Table b: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last longer than six months

	Core Dept & Agencies	ALBs
Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	76	886
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	76	608
Number for whom assurance has been requested	76	755
Of which…..		
Number for whom assurance has been received	71	494
Number for whom assurance has not been received	5	261
Number that have been terminated as a result of assurance not being received	1	3

Table c: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

	Core Dept & Agencies	ALBs
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	13
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.	115	503

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

Exit Packages – Civil Service and Other Compensation Schemes

412. The following table details civil service and other compensation schemes and exit packages. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme[64]. Exit costs are accounted for in full in year of departure, where early retirement has been agreed, the additional costs are met by the Department/organisation, ill-health retirement costs are met by the pension scheme and are subject to audit.

Table 34: Exit Packages

	Core Dept & Agencies				2015-16 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
≤£10,000	1	13	14	1	476	1,614	2,090	12
£10,001 - £25,000	3	20	23	-	528	636	1,164	14
£25,001 - £50,000	2	24	26	-	476	456	932	6
£50,001 - £100,000	11	23	34	-	320	292	612	6
£100,001 - £150,000	3	4	7	-	96	66	162	3
£150,001 - £200,000	-	3	3	-	36	18	54	-
>£200,000	-	-	-	-	12	8	20	-
Total Number	**20**	**87**	**107**	**1**	**1,944**	**3,090**	**5,034**	**41**
Total Cost (£)	**1,363,915**	**3,603,220**	**4,967,135**	**8,000**	**72,164,039**	**68,781,964**	**140,946,003**	**1,222,998**

	Core Dept & Agencies				2014-15 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
≤£10,000	2	14	16	1	506	1,345	1,851	17
£10,001 - £25,000	1	56	57	1	661	917	1,578	16
£25,001 - 50,000	-	90	90	-	563	770	1,333	5
£50,001 - £100,000	2	64	66	2	408	405	813	6
£100,001 - £150,000	-	15	15	1	144	109	253	2
£150,001 - £200,000	-	9	9	-	79	51	130	-
>£200,000	-	6	6	1	55	50	105	5
Total Number	**5**	**254**	**259**	**6**	**2,416**	**3,647**	**6,063**	**51**
Total Cost (£)	**175,064**	**14,052,472**	**14,227,536**	**701,944**	**108,580,211**	**111,265,714**	**219,845,925**	**2,025,270**

Other Departures

413. The following table outlines the detail of other departures. A single exit package can be made up of several components, each of which will be counted separately in this table, therefore the total number in the table above will not necessarily match the total number in the table below, which will be the number of individuals.

Table 35: Analysis of Other Departures

	Agreements	Total value of agreements
	Number	£000s
Voluntary redundancies including early retirement contractual costs	707	33,234
Mutually agreed resignations (MARS) contractual costs	921	22,054
Early retirements in the efficiency of the service contractual costs	18	495
Contractual payments in lieu of notice	1,414	7,845
Exit payments following Employment Tribunals or court orders	39	4,111
Non-contractual payments requiring HMT approval*	37	1,043
Total	**3,136**	**68,782**

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

[64] http://www.civilservicepensionscheme.org.uk/civil-service-compensation-scheme/

Parliamentary Accountability and Audit Report

Regulatory Reporting

Statement of Parliamentary Supply

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

The SOPS 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 are subject to audit.

The SOPS reports Departmental expenditure in a way which supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with the relevant Parliamentary authority, in support of the Government's fiscal framework.

Summary of Resource and Capital Outturn 2015-16

								2015-16	2014-15
				Estimate			Outturn		Outturn
	SoPS 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	1.1	95,624,689	18,898,759	114,523,448	95,414,325	19,316,174	114,730,499	210,364	110,554,300
- Capital	1.2	3,689,675	-	3,689,675	3,631,849	-	3,631,849	57,826	3,950,694
Annually Managed Expenditure									
- Resource	1.1	31,271,800	-	31,271,800	29,206,503	-	29,206,503	2,065,297	3,418,733
- Capital	1.2	15,000	-	15,000	9,021	-	9,021	5,979	(4,938)
Total Budget		130,601,164	18,898,759	149,499,923	128,261,698	19,316,174	147,577,872	2,339,466	117,918,789
Non-Budget									
- Resource	1.1	-	-	-	-	-	-	-	-
Total		**130,601,164**	**18,898,759**	**149,499,923**	**128,261,698**	**19,316,174**	**147,577,872**	**2,339,466**	**117,918,789**
Total Resource		126,896,489	18,898,759	145,795,248	124,620,828	19,316,174	143,937,002	2,275,661	113,973,033
Total Capital		3,704,675	-	3,704,675	3,640,870	-	3,640,870	63,805	3,945,756
Total		**130,601,164**	**18,898,759**	**149,499,923**	**128,261,698**	**19,316,174**	**147,577,872**	**2,339,466**	**117,918,789**

Net cash requirement 2015-16

Net Cash Requirement 2015-16					
		2015-16		2015-16	2014-15
	SoPS Note	Estimate £'000	Outturn £'000	Outturn compared with Estimate: saving/ (excess) £'000	Outturn £'000
Net cash requirement	3	98,905,450	95,717,329	3,188,121	92,116,589

Administration Costs 2015-16

Administration Costs 2015-16				
	2015-16	2015-16		2014-15
	Estimate £'000	Outturn £'000		Outturn £'000
Administration Costs	3,119,070	2,553,806		2,873,148

1. Sections outlined in bold are voted totals and/or totals subject to Parliamentary control.

SOPS 1 Net Outturn

SOPS 1.1 Analysis of net resource outturn by section

	2015-16 £'000										2014-15 £'000
	Outturn							Estimate			Outturn
	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	1,596,259	-	1,596,259	15,227,992	-	15,227,992	16,824,251	18,913,156	2,088,905	-	15,726,719
NHS Trusts net expenditure	-	-	-	25,921,074	-	25,921,074	25,921,074	27,461,648	1,540,574	-	27,156,813
NHS Foundation Trusts net expenditure	-	-	-	41,375,371	-	41,375,371	41,375,371	38,923,998	(2,451,373)	-	38,490,221
DH Programme and Administration expenditure	360,059	(82,994)	277,065	2,993,321	(972,993)	2,020,328	2,297,393	2,869,889	572,496	210,364	2,928,574
Local Authorities	-	-	-	3,092,238	(4,056)	3,088,182	3,088,182	3,082,405	(5,777)	-	2,862,060
Public Health England (Executive Agency)	200,619	(45,008)	155,611	852,558	(135,620)	716,938	872,549	401,706	(470,843)	-	790,932
Health Education England net expenditure	68,254	-	68,254	1,934,823	-	1,934,823	2,003,077	1,969,846	(33,231)	-	1,976,586
Special Health Authorities expenditure	182,649	(22,380)	160,269	2,447,248	(76,898)	2,370,350	2,530,619	1,514,017	(1,016,602)	-	1,460,047
Non Departmental Public Bodies net expenditure	296,348	-	296,348	205,461	-	205,461	501,809	488,024	(13,785)	-	473,371
	2,704,188	**(150,382)**	**2,553,806**	**94,050,086**	**(1,189,567)**	**92,860,519**	**95,414,325**	**95,624,689**	**210,364**	**210,364**	**91,865,323**
Non-voted:											
NHS England expenditure financed by NI Contributions	-	-	-	19,316,174	-	19,316,174	19,316,174	18,898,759	(417,415)	(417,415)	18,688,977
	2,704,188	**(150,382)**	**2,553,806**	**113,366,260**	**(1,189,567)**	**112,176,693**	**114,730,499**	**114,523,448**	**(207,051)**	**(207,051)**	**110,554,300**
Annually Managed Expenditure (AME)											
Voted:											
NHS England net expenditure	-	-	-	(253,797)	-	(253,797)	(253,797)	300,000	553,797	553,797	(152,068)
NHS Trusts net expenditure	-	-	-	295,635	-	295,635	295,635	862,259	566,624	566,624	318,007
NHS Foundation Trusts net expenditure	-	-	-	394,321	-	394,321	394,321	1,003,705	609,384	609,384	373,775
DH Programme and Administration expenditure	-	-	-	948,217	(25,153)	923,064	923,064	1,164,467	241,403	223,365	356,482
Local Authorities	-	-	-	-	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	(3,455)	-	(3,455)	(3,455)	-	3,455	3,455	11,753
Health Education England net expenditure	-	-	-	14,483	-	14,483	14,483	-	(14,483)	-	(10)
Special Health Authorities expenditure	-	-	-	27,832,697	-	27,832,697	27,832,697	27,941,369	108,672	108,672	2,506,540
Non Departmental Public Bodies net expenditure	-	-	-	3,555	-	3,555	3,555	-	(3,555)	-	4,254
	-	**-**	**-**	**29,231,656**	**(25,153)**	**29,206,503**	**29,206,503**	**31,271,800**	**2,065,297**	**2,065,297**	**3,418,733**
Non-Budget											
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total	**2,704,188**	**(150,382)**	**2,553,806**	**142,597,916**	**(1,214,720)**	**141,383,196**	**143,937,002**	**145,795,248**	**1,858,246**	**1,858,246**	**113,973,033**
Reconciliation to Statement of Comprehensive Net Expenditure											
Net gain/(loss) on transfers by absorption	-	-	-	-	-	-	-				-
Capital Grants	7,767	-	7,767	633,378	-	633,378	641,145				311,862
Income from Consolidated Fund Extra Receipts	-	-	-	-	(106)	(106)	(106)				(220)
Utilisation of provisions	(21,642)	-	(21,642)	21,642	-	21,642	-				-
IFRIC 12 Adjustment	2,851	-	2,851	594,165	(368,107)	226,058	228,909				(102,579)
Prior period adjustments	-	-	-	-	-	-	-				-
Donated asset/government granted income	-	-	-	-	(176,013)	(176,013)	(176,013)				(148,166)
Expenditure presented on net basis[1]	174,435	(174,435)	-	7,816,953	(7,816,953)	-	-				-
Other adjustments	-	-	-	1,019,050	(100,000)	919,050	919,050				309,334
Net operating cost	**2,867,599**	**(324,817)**	**2,542,782**	**152,683,104**	**(9,675,899)**	**143,007,205**	**145,549,987**				**114,343,264**

1. Under Parliamentary reporting requirements, expenditure for the NHS England Group, NDPBs (including Health Education England), 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. Explanations of variances between Estimates and Outturn are given in the Performance Analysis section of the Annual Report.
3. Note 21 to the accounts provides details of organisations classified as Special Health Authorities and Non-Departmental Public Bodies.
4. Other adjustments include £1,024.8 million of expenditure representing the loss relating to the net assets transferred outside the Department's accounting boundary for the six charities that have gained independent status during 2015-16. Further details can be found in note 19.1.

SOPS 1.2 Analysis of net capital outturn by section

	2015-16 £'000 Outturn			2015-16 £'000 Estimate			2014-15 £'000 Outturn
	Gross	Income	Net Total	Net Total	compared to Estimate Savings /(excess)	compared to Estimate adjusted for virements	Net Total
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
NHS England net expenditure	182,043	-	182,043	300,000	117,957	-	189,190
NHS Trusts net expenditure	1,146,203	-	1,146,203	1,221,580	75,377	-	1,381,276
NHS Foundation Trusts net expenditure	1,795,693	-	1,795,693	1,453,420	(342,273)	-	1,925,555
DH Programme and Administration expenditure	597,947	(179,523)	418,424	404,461	(13,963)	57,826	429,562
Local Authorities	137,648	-	137,648	134,074	(3,574)	-	131,666
Public Health England (Executive Agency)	(12,855)	(380)	(13,235)	107,400	120,635	-	33,938
Health Education England net expenditure	287	-	287	2,829	2,542	-	190
Special Health Authorities expenditure	54,765	(120,632)	(65,867)	31,686	97,553	-	(167,538)
Non Departmental Public Bodies net expenditure	30,653	-	30,653	34,225	3,572	-	26,855
	3,932,384	**(300,535)**	**3,631,849**	**3,689,675**	**57,826**	**57,826**	**3,950,694**
Annually Managed Expenditure (AME)							
Voted:							
NHS England net expenditure	-	-	-	-	-	-	-
NHS Trusts net expenditure	-	-	-	-	-	-	-
NHS Foundation Trusts net expenditure	-	-	-	-	-	-	-
DH Programme and Administration expenditure	9,021	-	9,021	15,000	5,979	5,979	(4,938)
Local Authorities	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	-	-	-	-
Health Education England net expenditure	-	-	-	-	-	-	-
Special Health Authorities expenditure	-	-	-	-	-	-	-
Non Departmental Public Bodies net expenditure	-	-	-	-	-	-	-
	9,021	**-**	**9,021**	**15,000**	**5,979**	**5,979**	**(4,938)**
Total	**3,941,405**	**(300,535)**	**3,640,870**	**3,704,675**	**63,805**	**63,805**	**3,945,756**

1. Explanations of variances between Estimate and outturn are given in the Financial Performance section of the Annual Report.
2. Note 21 to the accounts provides details of organisations classified as Special Health Authorities and Non-Departmental Public Bodies.

SOPS 2 Reconciliation of net resource outturn to net operating expenditure

		Note	2015-16 £'000 Outturn	2014-15 £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	SOPS 1.1	143,937,002	113,973,033
	Non-Budget	SOPS 1.1	-	-
			143,937,002	113,973,033
Add:	Capital Grants		641,145	311,862
	PFI/LIFT expenditure under IFRS		2,357,778	1,851,910
	PFI/LIFT income under IFRS		(368,107)	(276,120)
	Gain on transfers by absorption		-	-
	Other[1]		1,019,050	309,334
			3,649,866	2,196,986
Less:	Income payable to the Consolidated Fund	SOPS 4	(106)	(220)
	Donated asset/government granted income		(176,013)	(148,166)
	PFI/LIFT expenditure under UK GAAP		(1,760,762)	(1,678,369)
	Loss on transfers by absorption		-	-
	Prior period adjustments		-	-
	Other		(100,000)	-
			(2,036,881)	(1,826,755)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure after Financing Activities			**145,549,987**	**114,343,264**

1. The "Other" line relates predominantly to a loss generated on recognition of the net assets of six NHS Charities that have converted to independent status during 2015-16. HMT have confirmed that effective transfer of assets to a fully independent charity is treated as a capital grant in kind and is budget neutral. This is therefore a reconciling item between the net resource outturn and Net operating costs in the Statement of Comprehensive Net Expenditure.

SOPS 3 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2015-16 £'000 Net total outturn compared with Estimate: Savings/(excess)
Resource Outturn	SOPS 1.1	145,795,248	143,937,002	1,858,246
Capital Outturn	SOPS 1.2	3,704,675	3,640,870	63,805
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(1,346,702)	(593,873)	(752,829)
New provisions and adjustments to previous provisions		(30,831,836)	(4,471,770)	(26,360,066)
Departmental Unallocated Provision			-	-
Supported capital expenditure (revenue)			-	-
Prior period adjustments			-	-
Finance leased asset additions			-	-
IFRIC12 revenue adjustments			12,613	(12,613)
IFRIC12 capital adjustments			-	-
Adjustment for stockpiled goods			105,552	(105,552)
Non-cash investment additions			(9,407)	9,407
Net gain/loss on transfers by absorption			223,334	(223,334)
Other non-cash items[1]		-	(26,193,657)	26,193,657
Adjustments for NDPBs, NHS Trusts, Foundation Trusts, Charities and Other bodies:				
Remove voted resource and capital		(92,934,690)	(91,118,017)	(1,816,673)
Add cash grant-in-aid, PDC, loans and share capital from Core Department, and expenditure financed by Parliamentary Funding		90,554,514	87,010,478	3,544,036
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventory			112,735	(112,735)
less transfers from non-current assets			(1,733)	1,733
Increase/(decrease) in receivables			148,638	(148,638)
less movement in Consolidated Fund receivables			-	-
less movement in PFI and other service concession arrangement prepayments			-	-
less movement in current financial assets			(102,872)	102,872
add PFI prepayments outward cash payments			-	-
Increase/(decrease) in payables		1,000,000	(798,914)	1,798,914
less movement in overdraft			(7)	7
less movement in payables to the Consolidated Fund			1,301,485	(1,301,485)
less movement in finance lease/PFI payables			(2,037)	2,037
add capital element of finance lease/PFI payables			3,938	(3,938)
Use of provisions		1,863,000	1,853,201	9,799
		117,804,209	115,057,559	2,746,650
Removal of non-voted budget items:				
Consolidated Fund Standing Services			-	-
National Insurance contributions		(18,898,759)	(19,316,174)	417,415
Other adjustments				
Net cash transferred under absorption accounting			-	-
Other cashflow adjustments			(24,056)	24,056
Net cash requirement		**98,905,450**	**95,717,329**	**3,188,121**

1. £25,886.0 million of the "Other non-cash items" outturn relates to the effect of the change in the HMT-prescribed discount rate on general provisions. More information is given at Note 1.20 Provisions. The effect of the change in the HMT-prescribed discount rate on general provisions is shown within the "New provisions and adjustments to previous provisions" line in the Estimates column which explains the significant but offsetting discrepancy between outturn and Estimate on these two lines.

SOPS 4 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 2015-16 £'000		Outturn 2014-15 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	106	*106*	220	*220*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	***106***	***106***	**220**	**220**

Parliamentary Accountability Disclosures

The following disclosures are subject to audit.

Losses and Special Payments

Table 36: Losses Statement

		2015-16		2014-15	
		Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Total	Cases	84	65,793	97	79,128
	£'000	179,501	255,765	775,746	862,429
Cases over £300,000					
Cash losses	Cases	-	1	-	-
	£'000	-	316	-	-
Claims abandoned	Cases	-	1	1	2
	£'000	-	2,200	4,270	5,865
Cancellation of Public Dividend Capital (PDC)	Cases	1	1	6	6
	£'000	346	346	607,275	607,275
Administrative write-offs	Cases	-	2	1	7
	£'000	-	1,616	21,869	50,459
Fruitless payments	Cases	-	3	2	7
	£'000	-	1,802	892	3,787
Constructive Loss	Cases	5	5	4	4
	£'000	116,640	116,640	62,832	62,832
Store losses	Cases	-	1	-	2
	£'000	-	392	-	1,485
Bookkeeping losses	Cases	-	6	-	-
	£'000	-	4,043	-	-

Department of Health Share of National Insurance Contribution Losses

Included within its total losses, the Department has recorded a technical loss of £62.2 million 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. When functions transfer between NHS Trusts and NHS Foundation Trusts and other group bodies, the outstanding PDC balance and the net assets and liabilities of the closing Trust needs to be transferred to the successor organisation(s).

At this point, the Department may conclude that where the PDC balance is greater than the value of net assets transferring, the excess should be written off. This write off of the PDC represents the final accounting transaction, reflecting the existence of the historic deficits already recognised in the Statement of Financial Performance for the closing Trust: it is not an additional loss to the Taxpayer.

PDC with a value in excess of £20 million can only be written off with the agreement of HM Treasury by formal notice to Parliament, known as a HM Treasury minute. During 2015-16; the Department gained HM Treasury approval to write off a total of £0.3 million of PDC, which relates to the dissolution of Royal National Hospital for Rheumatic Diseases NHS Foundation Trust on 1 February 2015, when they were merged with Royal United Hospitals Bath NHS Foundation Trust. This figure is in addition to the £0.5 million of PDC written off in 2014-15 and is a result of more complete accounting information being available than at the time of dissolution.

Cash Losses

South West Yorkshire Partnership NHS Foundation Trust recorded losses of £0.5 million regarding a provision in relation to a potential fine for information Governance breaches.

Guy's and St Thomas' Hospital NHS Foundation Trust reported £0.3 million losses relating to a debt with HMRC for prior years tax and NI claims that was written off in year.

Constructive Losses

Public Health England reported 3 constructive losses totalling £115.2 million which relate to the write off of expired drug stocks.

Public Health England also reported a loss of £0.9 million in respect of TB screening assets. This relates to a change in screening policy of passengers at airports and the resulting removal of x-ray machines at Heathrow and Gatwick airports. These machines have been declared redundant as have the associated maintenance contracts.

The Spine Project Agreement with BT included an entitlement to charge loss of profit and breakage costs in the event that all or part of the service was terminated prior to the end date of the contract on 30 June 2016. Breakage Costs of £0.5 million were to cover costs incurred by BT as a result of termination. It was always the intention to have the new service ready before the end of the current contract and to terminate early and therefore incurring breakage costs and loss of profit was seen as an integral part of the costs of the contract.

Fruitless Payments

The withdrawal of support for a legacy LIFT arrangement known as the West One scheme to house 3 GP practices and other related services in Newcastle has resulted in a cost of £0.5 million to NHS England.

A 15 year lease originally negotiated by the former Worcestershire PCT has been surrendered, resulting in shared liability across NHS England and 3 CCGs. NHS England's share of the cost was £0.4 million.

Basildon and Thurrock University Hospitals NHS Foundation Trust recorded £0.9 million write off for a capital project design fees.

Administrative Losses

A further review conducted by NHS England on assets transferred following the Health and Social Care reforms has resulted in a bookkeeping loss of £4.0 million. These relate to balances reported within non-current receivables, prepayments and accrued income disclosures. The breakdown includes £2.9 million in respect of the former Heywood, Middleton & Rochdale PCT, £0.9 million in respect of the former NHS Hertfordshire and £0.2m other reallocations. There is no evidence that any assets were lost during transition.

Wrightington, Wigan and Leigh NHS Foundation Trust recorded £1.1 million written off due to a flood at Wrightington hospital resulting in stock loss and property damage.

Bradford District Care NHS Foundation Trust recorded a £0.5 million loss in respect of flooding at the New Mill site.

Claims abandoned

London North West NHS Trust wrote off £2.2 million debt associated with income relating to Road Traffic Accident Income. This was as a result of aligning the trust records for the legacy Ealing Hospital NHS Trust with those held by the Compensation Unit, responsible for making payments for Road Traffic income.

Stock Losses

Royal Surrey County Hospital NHS Foundation Trust reported losses of £0.4 million regarding pharmacy drug write offs in the year.

Other Losses

Losses within the NHS are predominantly within NHS Foundation Trusts (41,864 cases totalling £40.3 million), NHS Trusts (21,596 cases totalling £17.9 million), NHS England Group (520 cases totalling £17.4 million), Non Departmental Public Bodies (1,698 cases totalling £0.3 million) and Special Health Authorities (31 cases totalling £0.3 million).

Table 37: Special Payments

		2015-16		2014-15	
		Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Total	Cases	24	9,768	32	11,031
	£'000	776	23,445	1,470	25,279
Cases over £300,000	Cases	-	2	1	3
	£'000	-	2,965	375	1,246

Staff Severance payment

An Employment Tribunal case has been settled in February 2016 for £2.6m. Details of which can be found in the accounts of University Hospitals Coventry and Warwickshire NHS Trust.

Other Special Payments

Special payments within the NHS are predominantly within NHS Foundation Trusts (5,423 cases totalling £10.3 million), NHS Trusts (4,204 cases totalling £11.1 million), Special Health Authorities (85 cases totalling £0.1 million) and NHS England Group (24 cases totalling £0.5 million).

Other Payments

In November's Spending Review and Autumn Statement, Chancellor George Osborne announced that the Government was committed to changing European Law so that no VAT should be charged on sanitary products. Until EU legislation is changed, the Chancellor announced that the £15 million a year raised from VAT charged on sanitary products would be used to fund women's health and support charities. Two donations have been made by the Department under this funding:

- A donation of £2.7 million was made to The Haven. The funding will cover the running costs of the newly opened Wessex Haven and the creation of a new Haven centre in Solihull. Working in close conjunction with the NHS, The Haven offers a wide range of

emotional, physical and practical support for visitors and their families diagnosed with breast cancer.

- A donation of £0.4 million was made to The Eve Appeal to fund pioneering research that aims to develop a test to predict risk in four women specific cancers; breast, endometrial, ovarian and cervical. The research programme, co-funded by Horizon 2020 seeks to develop a screening process which will aim to prevent these cancers and save significantly more women's lives, so that by 2020, there will be a single risk model with one test for four cancers.

Table 38: Fees and Charges

	2015-16 Departmental Group		
	Fees and Charges Income £'000	Full Cost of Service £'000	Suplus/(Deficit) £'000
Dental	743,843	2,804,061	(2,060,218)
Prescription	523,539	10,652,434	(10,128,895)
Other Fees and Charges for which the cost of providing the service is over £1million	228,022	324,074	(96,052)
Total	**1,495,404**	**13,780,569**	**(12,285,165)**

	2014-15 Departmental Group		
	Fees and Charges Income £'000	Full Cost of Service £'000	Suplus/(Deficit) £'000
Dental	716,014	2,746,308	(2,030,294)
Prescription	503,940	10,334,840	(9,830,900)
Other Fees and Charges for which the cost of providing the service is over £1million	263,173	333,393	(70,220)
Total	**1,483,127**	**13,414,541**	**(11,931,414)**

The fees and charges information in this note is provided in accordance with 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 £1.0 million, relate to services provided by Special Health Authorities and other ALB's length bodies. A significant proportion of this income, £109.0 million (2014-15: £103.2 million) and expenditure, £220.5 million (2014-15: £195.7 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.

Remote Contingent Liabilities

In addition to IAS 37 contingent liabilities disclosed within the Accounts, 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 £300,000 (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, and;
- all items (whether or not they arise in the normal course of business) over £300,000 (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

Quantifiable

The Department of Health has entered into the following quantifiable contingent liabilities by offering indemnities or by giving letters of comfort. HM Treasury's guidance Managing Public Money requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2015		Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2016		Amount reported to Parliament by departmental Minute
	£'000	No.	£'000	£'000	£'000	£'000	No.	£'000
Guarantees:	-	-	-	-	-	-	-	-
Indemnities:	3,002	2	-	-	(2)	3,000	2	-
Letters of comfort	-	-	-	-	-	-	-	-
	3,002	2	-	-	(2)	3,000	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 17 unquantifiable indemnities. None of these are 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.

Government Core Tables 1 & 2 and accompanying narrative can be found within Annex A.

8 July 2016
Chris Wormald
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 2016 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 2014. 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that are described in those reports and disclosures 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.

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 Performance Report and Accountability Report 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 and report.

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 2016 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 2016 and of the Department's net operating cost and Departmental Group's net operating cost 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 NHS Trusts

Without qualifying my opinion, I draw attention to the disclosures made in note 16 to the financial statements concerning the uncertainties inherent in the incidents incurred but not reported (IBNR) claims provision for the Clinical Negligence Scheme for Trusts. As set out in note 16, 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 parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures 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

My explanatory report is on pages 108 - 115.

Sir Amyas C E Morse **12 July 2016**

Comptroller and Auditor General

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

The Explanatory Report of the Comptroller and Auditor General to the House of Commons

Introduction

1. The Department of Health (the Department) leads the health and care system to ensure people experience a service that protects and promotes health and provides safe, effective and compassionate care. In December 2015, I reported on the 'Sustainability and financial performance of acute hospital trusts', which highlighted the severe, and worse than expected, decline in the financial position in hospital trust finances. I concluded that this trend was not sustainable particularly in the context of increasing demand and user expectations. It was and remains my view that the Department and its partners needed to create and implement a plan to put the NHS' finances in England on a sustainable footing. The Department's 2015-16 accounts show that action is some way from being delivered.

2. I have now completed my audit of the Department of Health's accounts, incorporating the financial results of NHS organisations in England. Given the scale of the financial and performance challenges facing the Department I have concluded that it is appropriate to use my powers to report on the accounts for 2015-16. I am also reporting on the accounts of NHS England (which is responsible for the Five Year Forward View which informs its commissioning of healthcare services) and the Consolidated Foundation Trust account (which reflects the financial results for that sector). England's non Foundation Trust organisations have their financial results directly consolidated into the Department's accounts and are therefore dealt within this report.

Structure of this report

3. Drawing on the findings of my audit of the Department's 2015-16 accounts and my recent programme of value for money reports on the health sector, the purpose of this report is to:

   - Describe the system of budgetary control which provides the context for the annual accounts.
   - Set out the final position of the Department against the budgetary control totals for 2015-16 and explain how key parts of the Departmental group contributed to the Department's 2015-16 financial outturn.
   - Explain how the Department achieved its final 2015-16 outturn and the implications of this.
   - Detail the prospects for 2016-17 and my planned work examining the financial sustainability of the NHS in England.

The budgetary control regime

4. The budgetary control regime under which the Department works includes control totals for revenue and capital spending. These are authorised by Parliament through an annual vote (main estimate) and updated towards the end of each year through another vote (supplementary estimate), In addition to these Parliamentary controls HM Treasury also

sets a budgetary control total in respect of total departmental spending. The difference between the two controls is funding from the National Insurance Fund, which is not voted on by Parliament. A breach of either the revenue or capital voted totals results in an 'Excess Vote' through which Parliament authorises the additional spend. A breach of the non-voted Treasury limit does not require Parliamentary authorisation but does have implications for how the Government overall is managing its budgets.

5. The Department has not breached its Parliamentary control totals but it has exceeded the non-voted revenue limit. I set out in this report how this happened. In practical terms however the Department got the benefit of additional non-voted funds which enabled it to avoid breaching its revenue budget set by Parliament.

Financial performance in 2015-16

6. The Department delivers its areas of responsibility through a complex network of component bodies, details of which are disclosed on pages 6 to 11 of the Annual Report. **Figure 1** on page 2 of the Annual Report shows how the funds voted by Parliament flow through the Departmental group.

7. The Department's spend against its total 2015-16 Resource Departmental Expenditure Limit (RDEL) was £114.7 billion and its Capital Departmental Expenditure Limit (CDEL) spend was £3.6 billion. The Statement of Parliamentary Supply on pages 99 to 104 of the Department's Annual Report shows that the Department has remained within the voted spending limits set by Parliament for 2015-16. Accordingly, I have not qualified my opinion on regularity in this regard.

8. **Figure 1** below summarises the Department's financial outturn against the voted, non-voted and total RDEL and CDEL for both the 2015-16 and 2014-15 reporting periods. The Department's voted RDEL underspend for 2015-16 was £210 million (0.220 per cent of the Parliamentary spending limit) (2014-15: 0.002 per cent). The Department's CDEL underspend for 2015-16 was £58 million (1.57 per cent of the Parliamentary spending limit) (2014-15: 1.57 per cent).

Figure 1

	2015-16 (£ million)			2014-15 (£ million)		
Spending Control	**Spending Limit**	**Outturn**	**Variance**	**Spending Limit**	**Outturn**	**Variance**
Voted Resource Departmental Expenditure Limit	95,625	95,414	210	91,867	91,865	2
Non-Voted Resource Departmental Expenditure Limit	18,899	19,316	(417)	18,689	18,689	0
Total Resource Departmental Expenditure Limit	**114,523**	**114,730**	**(207)**	**110,556**	**110,554**	**2**
Capital Departmental Expenditure Limit	**3,690**	**3,631**	**58**	**4,014**	**3,951**	**63**

Figure 2 below analyses the contribution key parts of the Departmental group made to the Department's 2015-16 financial outturn. For the purpose of this analysis, we have identified the following key components or sectors:

- The Core Department.
- The Commissioners, including NHS England as parent entity for the 209 CCGs.
- The NHS Providers, comprising 90 NHS Trusts and 153 NHS Foundation Trusts.
- Other components of the Departmental group, including ALBs and companies.

Figure 2 (per figure 10 in the Departmental Accounts)

2015-16 Total Revenue DEL – Sector breakdown	Variance (£ billion)
Core Department	1.5
Commissioners	0.7
NHS Providers	(2.5)
Other components	0.1
Total RDEL overspend	**(0.2)**

9. Financial sustainability in the provider sector has been the focus for the budgetary challenges faced by the NHS. As set out in **Figure 2** the NHS Providers overspent by some £2.5 billion in 2015-16 (£0.9 billion in 2014-15). Savings both centrally and on the Commissioners' side have offset the increased provider deficit together with other measures which I describe below.

Financial performance of NHS Foundation Trusts, NHS Trusts and Commissioners in 2015-16

10. I am also reporting on the Consolidated Foundation Trust account and NHS England account for 2015-16. These reports can be found beneath my audit certificate in the Annual Report and Accounts of the Consolidate Foundation Trust and NHS England. Key issues from these reports are summarised below:

    Consolidated Foundation Trust: In 2015-16, the number of foundation trusts reporting a deficit increased again to 101, compared to 78 in the previous year. 23 foundation trusts (14%) received emphasis of matter paragraphs in their audit reports relating the going concern assumption or financial performance (2013-14: 21 of 153, 14%). The rise in deficit is driven by the increase in operational costs, caused by underlying increases in demand. Staff costs, particularly agency costs, have continued to increase.

NHS Trusts: In 2015-16 these Trusts reported a total deficit of £1,351 million (£473 million in 2014-15). Cost drivers in this sector are identical to those described above for the Foundation Trust sector.

NHS England: Is responsible for spending some £100 billion annually. In 2015-16 £73billion was spent through the 209 Clinical Commissioning Groups which locally commission healthcare services. The rest of the annual budget represents specialist commissioning and other activities delivered directly by NHS England. It is responsible for the Five Year Forward View which sets out the strategic direction of the NHS in England. This set the £22 billion efficiency challenge which provides the context for the overall financial sustainability of the NHS in England. The £700 million of savings achieved in 2015-16 are not the result of any overarching plan but are rather non-recurrent and therefore unavailable in 2016-17 onwards.

11. The accounts of local NHS organisations are audited by local auditors under the Code of Audit Practice that I issue in accordance with the Local Audit and Accountability Act. The majority of the Arm's-Length Bodies of the Department are audited by the National Audit Office. I issue instructions to all component auditors under the International Standard on Auditing (ISA) 600. This year I directed their attention to the implications of the Department's proximity to its budgetary control totals and asked them to confirm to me their findings in a range of related areas. I therefore consider the outcomes of their work in framing my own audit.

How the Department achieved their final 2015-16 outturn

12. The Department took a range of actions (described on pages 33 to 47 of its accounts) to manage its 2015-16 outturn, ranging from those which aim to deliver savings in areas of significant pressure, such as the well-publicised cap on agency staff costs, together with short-term, non-recurring savings, including those arising from revisiting historical technical budgeting and accounting treatments. In addition to these actions the Department also benefited from additional receipts which it was able to retain this year.

13. Notable examples of these short-term or non-recurring savings or benefits observed through my financial audit work are set out in more detail below to help the reader understand the scale of the actions taken by the Department. None of the transactions described would be at the core of a comprehensive plan to secure the financial sustainability of the NHS in England. The capital to revenue transfer may in the longer term mean that planned service improvements cannot happen or will not happen in a timely way. In other reports I have made the point that deferring capital investment has significant consequences for both service users and taxpayers. Meeting the annual budgetary controls through mechanisms like these is understandable in the absence of the plan both I and the Committee of Public Accounts have recommended but they are unsustainable. The availability of these areas to create favourable budgetary control impacts necessarily reduces through time. And they are unlikely, in my view, to be able to continue to answer in 2016-17.

14. I have not identified any issues of non-compliance with the Government Financial Reporting Manual, Consolidated Budgeting Guidance or Managing Public Money arising from the actions taken by the Department or the instructions given to bodies within the Departmental group. I do, however, note that the impact of the majority of these actions

and instructions was to improve the Department's financial outturn against the control totals voted by Parliament.

- **National Insurance contributions (£417 million) –** Each year the Department is allocated a share of National Insurance contributions. The value of the receipts are scored against the Department's non-voted expenditure limit and are spent in full each year. These receipts are used for the provision of healthcare, but the expenditure isn't voted on by Parliament and spend in excess of the non-voted limit does not result in an Excess Vote.

  The Department is notified of the amount of National Insurance receipts it will receive in advance each quarter from Her Majesty's Revenue and Customs (HMRC). In normal circumstances when the Department receives notification of the Quarter 4 receipt amount from HMRC it will notify HM Treasury of this amount through the Supplementary Estimate process. This allows HM Treasury to factor the level of receipts into the overall health budget for the rest of the year. In previous years HM Treasury has either increased or decreased the Department's voted RDEL limit by the equal and opposite value of the change in National Insurance receipts the Department is notified that it will receive. Receipts can be higher or lower than anticipated.

  In quarter 4 in 2015-16 the Department received an extra £417 million from National Insurance contributions than was anticipated in its original Annual Estimate which was then authorised by Parliament. In 2015-16 the Department did not follow the process adopted in previous years and HM Treasury wasn't notified of the extra receipts which the Department were due to receive from HMRC. This meant that the Estimate figures weren't updated as part of the Supplementary Estimate process. As a result of this the Department received £417 million of additional receipts from HMRC and neither HM Treasury nor Parliament has had the opportunity to consider whether to reduce the voted funding by an equal and opposite amount.

  Without these extra receipts the Department would have exceeded its Voted RDEL by £207 million. If the receipts had actually been less than originally forecast this position would clearly have been worse. The failure to follow well-established past practice in relation to these National Insurance receipts has been ascribed by the Department to an administrative error. Through my audit work on this area to date I have not seen any evidence that suggests this was done intentionally.

  The extra receipts mean that the Department overspent against its total RDEL limits.

- **Super Dividend from the Medical and Healthcare Products Authority (MHRA) - £100 million** – In March 2016, MHRA agreed to pay a 'super dividend' of £100 million to the Department. This was recorded as a receivable and payable in the accounts of the core Department and MHRA respectively. This transaction has a favourable impact on CDEL outturn, as MHRA is a trading fund which sits outside of the Departmental accounting boundary. In accordance with the requirements of Managing Public Money, approval from HM Treasury was sought and granted for the Department's right to retain the cash arising from it. The Department have benefited from MHRA sitting on a large cash balance and being able to take this one-off dividend of £100m as a CDEL benefit. Without this the Department would have breached its voted CDEL limit.

- **Central adjustments posted by the Department –** The Department has posted a number of central adjustments which are as a result of the work it has done reviewing the underlying accounts of their component bodies. In the majority of instances these adjustments are appropriate and improve the quality of the financial statements.

However, over the course of the audit a number of more speculative adjustments which improved the outturn position were considered by the Department. These were not subsequently processed but their active consideration further demonstrates the pressures under which the Department is operating. We have found instances where the Department has made central adjustments to audited underlying accounts when consolidating the figures into their account and we have reported some of these back to the Department as errors. The value of these adjustments is immaterial and we have not identified any issues of non-compliance with the Government Financial Reporting Manual, Consolidated Budgeting Guidance or Managing Public Money. The majority of adjustments have had a positive impact on the Department's position against its control totals.

- **Capital to revenue transfers - £950 million** – The Department secured approval through the Supplementary Estimate for the transfer of £950 million of budget cover from CDEL to RDEL. As part of this transfer, the Department introduced local capital to revenue transfers for NHS providers totalling £331 million which, in practice, involved certain NHS providers surrendering capital budget in return for revenue funding which was scored as income in their accounts.

  Most, but not all, NHS providers in receipt of this income were required to remit the cash back to the Department in return for a reduction in outstanding Public Dividend Capital balances due from them. The impact at Departmental group level was neutral in terms of the impact on RDEL and CDEL outturn, but did result in a reduction in the deficit reported by those NHS providers (or an increase in their surplus). In March 2016, the Department and Monitor issued guidance as an 'FAQ' to the Manual for Accounts and Foundation Trusts Reporting Manual prescribing the treatment of this income as revenue in the accounts of NHS providers.

- **Guidance to NHS providers by Monitor and the NHS Trust Development Authority** – In January 2016, Monitor and the NHS Trust Development Authority (TDA) wrote to all NHS providers instructing them to consider a number of areas in preparing their annual accounts, with a view to improving financial outturn. While some of this focused on identifying genuine savings, much of it focused on looking for one-off accounting adjustments which could improve the bottom line in 2015-16. While these adjustments are in line with accounting standards, the guidance was focused on finding adjustments with a positive impact, rather than a full review of all areas which could result in adjustments which have both a positive and negative impact on their final outturn position.

- **'Transaction review' commissioned by the Department** – The Department engaged two accountancy firms to undertake a review of certain accounting policies and practices adopted by a sample of 21 organisations within the Departmental group. This sample included ten NHS providers, ten Clinical Commissioning Groups and one Arm's-Length body.

  The findings of these reviews were used to identify adjustments which were processed by local bodies or at group level by the Department. While the actions taken as a result of the review met the requirements of the relevant financial reporting standards the point of the exercise, demonstrated both through the terms of reference for it and its actual outcomes focus overwhelmingly on looking for areas which would improve the financial outturn of the Department.

- **Accounting treatment of European Economic Area liabilities** – The Department's accounts include liabilities in respect of amounts due to other EU countries for healthcare received by UK citizens. In accordance with *International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets*, these are split between provisions (reported as Resource Annually Managed Expenditure (RAME) for budgeting purposes) and accruals (reported as RDEL), based on judgements around the certainty of the timing and amount of the liability. In 2015-16, the Department scored a one-off, favourable RDEL impact in the region of £150 million based on elements of the liability becoming less certain. While we agree with the reclassification of the accrual to a provision, this is a one-off non-recurring benefit to RDEL which has no impact on the total amount spent by the Department in year, but improves its position against the voted expenditure limit by the £150 million.

The system of budgetary control and its implications for financial management and audit

15. As already described the Department prepares Annual and Supplementary Estimates of its net expenditure. Authorisation to incur this expenditure is then authorised through Parliamentary votes. These votes set a series of annual limits on net expenditure which the Department may not exceed and on the total cash that it may use. Where these voted limits are breached, I qualify my opinion on regularity since this would mean that the Department had incurred expenditure that was not in line with Parliament's intentions. Parliament authorises such excess spending through a subsequent Excess Vote. The Department therefore has to manage its annual capital and revenue spending to an absolute limit to ensure that they avoid a qualified opinion.

16. The requirement for the Department to achieve a specific and absolute budgetary control figure creates significant additional pressure on its financial management. This pressure is compounded by the lack of an overall plan. Together these issues create a focus on the short-term (meeting the annual budget control) rather than the long term (putting the NHS in England on a more financially sustainable footing). Considerable effort has been expended by the available financial capacity within the system on the problem of meeting this year's budget. More effort is needed on creating the conditions for achieving the Five Year Forward View.

Prospects for 2016-17 and my planned work on the financial sustainability of the NHS in England

17. The Spending Review published in November 2015 announced that an extra £5.4 billion will be available for NHS providers in 2016-17. Of this £5.4 billion:

    - £1.8 billion comprises the Transformation and Sustainability Fund, £1.6 billion of which will be passed to NHS providers who conduct emergency care, and is conditional on those providers agreeing and achieving their control totals for capital and resource expenditure in 2016-17. This funding is subject to approval from both the Department and HM Treasury before being passed to providers.

    - £3.6 billion will be distributed through commissioning allocations and related budgets, meaning it is reflected in an overall uplift in tariff prices which will result in higher income for NHS providers.

18. This will relieve some of the pressures on NHS providers, subject to the financial impact of any new activity such as seven day working practices, and the consequences of higher than planned deficits having been reported for 2015-16.

20. Sustainability and Transformation Plans are now being developed on 44 local footprints in England bringing together both commissioners and providers to reach agreement on how they will provide services within a shared budgetary control total in each area. The governance arrangements around these Plans remains unclear. As does the governance and assurance mechanisms around the 5 Year Forward View.

21. I will return to the issue of financial sustainability in the NHS in England in a report this autumn. Given where the NHS in England starts, the scale of the 2016-17 challenge remains considerable particularly given the weaknesses in the arrangements of local NHS organisations to secure value for money reported of local auditors under my Code of Audit Practice. The challenge will not be met by further ad hoc measures of the type I have observed in 2015-16.

22. Where the Department chooses to engage in short-term, non-recurring activity to manage outturn in 2016-17, I will consider the implications for the scope and timing of my 2016-17 audit. I will continue to give careful consideration of the measures taken by the Department to manage its position against the Parliamentary controls when framing my opinion on its accounts.

Sir Amyas C E Morse **12 July 2016**
Comptroller and Auditor General

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

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

This account summarises the expenditure incurred and income generated and is 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 2016

		2015-16		2014-15	
	Notes	Core Dept & Agencies £'000	Departmental Group £'000	Core Dept & Agencies £'000	Departmental Group £'000
Income from sale of goods and services	5	(129,492)	(4,916,339)	(110,134)	(4,498,627)
Other operating income	5	(1,888,271)	(4,725,148)	(1,704,900)	(4,166,090)
Income received by NHS charities	19	-	(227,517)	-	(342,346)
Total operating income		**(2,017,763)**	**(9,869,004)**	**(1,815,034)**	**(9,007,063)**
Staff costs	3	426,332	51,646,625	426,265	49,948,663
Purchase of goods and services	4	1,058,839	50,060,641	1,088,140	47,824,527
Depreciation and impairment charges	4	682,127	4,108,069	797,095	4,018,966
Provision expense	4	1,024,042	30,356,854	691,626	4,453,519
Other operating expenditure	4	6,146,313	17,158,746	5,508,323	15,667,789
Grant in Aid to NDPBs		105,683,053	-	97,788,826	-
Funding to Group bodies		291,615	-	5,065,058	-
Resources expended by NHS charities	19	-	1,140,522	-	508,217
Total operating expenditure		**115,312,321**	**154,471,457**	**111,365,333**	**122,421,681**
Net operating expenditure for the year ended 31 March 2016		**113,294,558**	**144,602,453**	**109,550,299**	**113,414,618**
Finance income		(135,374)	(131,712)	(96,582)	(54,231)
Finance expense		19,751	1,079,246	(120)	982,877
Net (gain)/loss on transfers by absorption		1,190	-	6,097	-
Total Net Expenditure for the year ended 31 March 2016		**113,180,125**	**145,549,987**	**109,459,694**	**114,343,264**
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
- revaluation of property, plant and equipment		(40,443)	(1,659,558)	(14,418)	(2,468,326)
- revaluation of intangibles		(5,272)	(5,551)	(24,051)	(24,469)
- revaluation of investments		(92)	(92)	(145,606)	(48,647)
-revaluation of charitable assets		-	8,621	-	(163,096)
- impairments and reversals taken to revaluation reserve		1,365	1,118,986	875	700,961
- transfers by modified absorption		-	-	-	-
Actuarial (gains)/losses on defined benefit pension schemes		-	(17,107)	-	28,073
Other pensions remeasurements		-	(7,165)	-	(328)
Other (gains) and losses		-	(331)	-	20,987
Items that may be reclassified subsequently to net operating costs:					
Net (gain)/loss on:					
- revaluation of available for sale financial assets		-	-	-	(522)
Reclassification adjustment on disposal of available for sale financial assets		-	-	-	-
Total Comprehensive Expenditure for the year ended 31 March 2016		**113,135,683**	**144,987,790**	**109,276,494**	**112,387,897**

1. In all material respects, the income and expenditure disclosed in the Consolidated Statement of Comprehensive Net Expenditure relates to activities that are continuing.

2. The following presentational changes have resulted from the implementation of HM Treasury's Simplifying and Streamlining Accounts project: Income and expenditure streams are no longer categorised between administration and programme and finance income and expense are separately disclosed below net operating expenditure. This format has been applied to the prior year figures to ensure year-on-year comparability.

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 2016

		2016 £'000		2015 £'000	
	Note	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Non-current assets					
Property plant and equipment	6	1,138,911	51,383,835	1,173,913	50,973,890
Investment Property		9,604	114,691	260	80,853
Intangible assets	7	478,398	1,401,314	844,935	1,610,381
Charitable non-current assets	19.2	-	93,080	-	235,454
Financial assets- Investments	11	32,138,987	995,043	29,519,588	1,046,894
Charitable investments	19.3	-	832,335	-	1,766,943
Other non-current assets	14	134,374	621,569	119,833	569,858
Total non-current assets		**33,900,274**	**55,441,867**	**31,658,529**	**56,284,273**
Current assets					
Assets classified as held for sale		28,009	173,924	26,053	267,392
Inventories	12	179,279	1,222,183	143,334	1,053,370
Trade and other receivables	14	204,915	1,858,697	192,463	1,617,680
Other current assets	14	380,396	1,644,747	466,387	1,651,762
Charitable other current assets	19.2	-	64,616	-	228,683
Other financial assets	14	599,357	41,168	496,485	25,114
Cash and cash equivalents	13	2,804,309	7,680,408	1,487,377	6,977,058
Charitable cash	19.2	-	285,598	-	293,375
Total current assets		**4,196,265**	**12,971,341**	**2,812,099**	**12,114,434**
Total assets		**38,096,539**	**68,413,208**	**34,470,628**	**68,398,707**
Current liabilities					
Trade and other payables	15	(120,206)	(5,105,436)	(162,629)	(4,739,216)
Other liabilities	15	(3,565,868)	(12,328,634)	(2,636,567)	(10,903,836)
Charitable liabilities	19.2	-	(131,002)	-	(192,752)
Provisions	16	(536,879)	(3,205,433)	(386,936)	(2,865,865)
Total current liabilities		**(4,222,953)**	**(20,770,505)**	**(3,186,132)**	**(18,701,669)**
Non-current assets plus/less net current assets/liabilities		**33,873,586**	**47,642,703**	**31,284,496**	**49,697,038**
Non-current liabilities					
Other payables	15	(150,484)	(547,751)	(80,236)	(491,902)
Charitable liabilities	19.2	-	(16,128)	-	(170,744)
Provisions	16	(2,188,634)	(57,535,844)	(1,600,719)	(29,624,418)
Net pension asset/(liability)	16.1	-	(93,745)	-	(89,008)
Financial liabilities	15	(2,254)	(11,926,657)	(4,450)	(11,894,533)
Total non-current liabilities		**(2,341,372)**	**(70,120,125)**	**(1,685,405)**	**(42,270,605)**
Total assets less liabilities[1]		**31,532,214**	**(22,477,422)**	**29,599,091**	**7,426,433**
Taxpayers' equity and other reserves					
General fund		30,399,188	(35,864,671)	28,376,746	(6,786,073)
Revaluation reserve		1,133,026	12,110,852	1,222,345	11,921,037
Other Reserves		-	147,898	-	130,510
Total Taxpayers' Equity		**31,532,214**	**(23,605,921)**	**29,599,091**	**5,265,474**
Charitable funds	19.2	-	1,128,499	-	2,160,959
Total Reserves		**31,532,214**	**(22,477,422)**	**29,599,091**	**7,426,433**

1. The Departmental Group is reporting a net liabilities position due to a change in the discount rate prescribed by HM Treasury for long term (>10 years) general provisions. More information is given at Note 1 *Statement of Accounting Policies*.

Chris Wormald
Permanent Secretary
8 July 2016

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.

For the year ended 31 March 2016

	Note	2015-16 £'000		2014-15 £'000	
		Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Net cashflow from operating activities					
Net operating cost including financing activities	CSCNE	(113,178,935)	(145,549,987)	(109,453,597)	(114,343,264)
Adjustments for non-cash transactions	4.2	1,695,814	34,605,109	1,495,060	8,423,831
Adjustments for charities		-	1,015,194	-	257,760
Other non-cash movements in Statement of Financial Position items		-	19,840	-	(99,235)
(Increase)/decrease in trade and other receivables	14	(43,874)	(301,767)	13,336	(347,242)
less movements in receivables relating to items not passing through the CSCNE	14	96,003	(49,677)	(93,044)	116,161
(Increase)/decrease in inventories	12	(35,945)	(168,813)	(11,614)	(71,138)
less transfers to inventories from non-current assets	12	1,733	1,733	440	440
Increase/(decrease) in trade and other payables	15	954,930	1,878,991	801,098	1,206,825
less movements in payables relating to items not passing through the CSCNE	15	(1,254,375)	(1,246,753)	(884,013)	(985,093)
Use of provisions	16	(141,171)	(1,978,653)	(169,539)	(1,676,334)
Transfer of provisions to payables	16	(164,123)	(178,658)	(324,308)	(348,757)
Cash payments in respect of pensions	16.1	-	(11,262)	-	(7,759)
Other operating cashflows[1]		-	60,521	-	32,777
Net cash outflow from operating activities		**(112,069,943)**	**(111,904,182)**	**(108,626,181)**	**(107,841,028)**
Cash flows from investing activities					
Purchase of property, plant and equipment & investment properties	6, 15	(134,057)	(3,342,566)	(87,847)	(3,692,463)
Purchase of intangible assets	7, 15	(136,635)	(405,709)	(261,329)	(548,546)
Proceeds of disposal of property, plant and equipment		14,674	167,078	51,840	146,418
Proceeds of disposal of intangibles		1,293	2,645	-	281
Proceeds of disposal of assets held for sale		675	185,789	16,489	174,490
Purchase of investments	11	(4,415,022)	(102,526)	(3,350,760)	(45,870)
Proceeds of disposal of investments	11, 14	1,700,947	173,558	1,367,269	234,491
Other investing cashflows[1]		27,684	67,066	7	(4,698)
Net cash outflow from investing activities		**(2,940,441)**	**(3,254,665)**	**(2,264,331)**	**(3,735,897)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) - current year		97,018,928	97,018,928	93,100,000	93,100,000
Financing from the National Insurance Fund		19,316,174	19,316,174	18,688,977	18,688,977
Movement in loans received from DH and Other Bodies		-	18,781	-	32,682
Net cash transferred under absorption accounting		-	-	-	-
Capital element of payments in respect of finance leases and on-SOFP PFI/LIFT contracts		(3,938)	(468,909)	(3,844)	(406,070)
Other financing cashflows[1]		(3,628)	(20,246)	3,310	163,296
Net financing		**116,327,536**	**115,864,728**	**111,788,443**	**111,578,885**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**1,317,152**	**705,881**	**897,931**	**1,960**
Payment of amounts due to the Consolidated Fund		(220)	(220)	(1)	(1)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**1,316,932**	**705,661**	**897,930**	**1,959**
Cash and cash equivalents at the beginning of the period		1,487,377	7,245,865	589,447	7,243,906
Cash and cash equivalents at the end of the period	13, 15, 19.2	**2,804,309**	**7,951,526**	**1,487,377**	**7,245,865**

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.

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.

		Core Dept & 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 2015		28,376,746	1,222,345	29,599,091	(6,786,073)	11,921,037	130,510	5,265,474	2,160,959	7,426,433
Prior period adjustments in local accounts		-	-	-	36,676	(34,698)	1,773	3,751	(4,764)	(1,013)
Net parliamentary funding - drawn down		97,018,928		97,018,928	97,018,928			97,018,928		97,018,928
Net parliamentary funding - deemed		1,634,218		1,634,218	1,634,218			1,634,218		1,634,218
National Insurance contributions		19,316,174		19,316,174	19,316,174			19,316,174		19,316,174
Supply (payable)/receivable adjustment	15	(2,935,817)		(2,935,817)	(2,935,817)			(2,935,817)		(2,935,817)
CFERs and other amounts payable to the Consolidated Fund	15	(106)		(106)	(106)			(106)		(106)
PDC investment adjustment		(346)		(346)	-			-		-
Comprehensive Net Expenditure for the Year		(113,180,125)		(113,180,125)	(144,518,996)			(144,518,996)	(1,030,991)	(145,549,987)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	4	824		824	914			914		914
Movements in Reserves										
Recognised in Statement of Comprehensive Expenditure										
Net gain/(loss) on revaluation of non-current assets			45,807	45,807		1,665,201	-	1,665,201	-	1,665,201
Net gain/(loss) on revaluation of charitable assets				-				-	(8,621)	(8,621)
Reclassification adjustment on disposal of available for sale financial assets			-	-		-	-	-		-
Impairments and reversals			(1,365)	(1,365)		(1,118,986)		(1,118,986)	-	(1,118,986)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	12,871		4,236	17,107		17,107
Other pensions remeasurements		-		-	4,079		3,086	7,165		7,165
Other gains and losses		-		-	336		(5)	331		331
Reserves eliminated on dissolution		-	-	-	-	-	-	-		-
Transfers between reserves		163,781	(163,781)	-	345,324	(352,356)	7,032	-	-	-
Other movements		575	34,356	34,931	2,524	35,013	1,184	38,721	12,273	50,994
Other transfers		4,336	(4,336)	-	4,277	(4,359)	82	-	(357)	(357)
Balance at 31 March 2016		**30,399,188**	**1,133,026**	**31,532,214**	**(35,864,671)**	**12,110,852**	**147,898**	**(23,605,921)**	**1,128,499**	**(22,477,422)**

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, £485.8 million and unrestricted, £642.7 million funds.

	Note	Core Department & Agencies			Departmental Group					
		General Fund	Revaluation Reserve	Taxpayers' Equity	General Fund	Revaluation Reserve	Other Reserves	Taxpayers' Equity	Charitable Funds	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 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
Prior period adjustments in local accounts		-	-	-	20,208	4,089	869	25,166	(15,515)	9,651
Net parliamentary funding - drawn down		93,100,000		93,100,000	93,100,000			93,100,000		93,100,000
Net parliamentary funding - deemed		650,807		650,807	650,807			650,807		650,807
National Insurance contributions		18,688,977		18,688,977	18,688,977			18,688,977		18,688,977
Supply (payable)/receivable adjustment	15	(1,634,218)		(1,634,218)	(1,634,218)			(1,634,218)		(1,634,218)
CFERs and other amounts payable to the Consolidated Fund	15	(220)		(220)	(220)			(220)		(220)
PDC investment adjustment		(312,473)		(312,473)	-			-		-
Comprehensive Net Expenditure for the Year		(109,459,694)		(109,459,694)	(114,076,593)			(114,076,593)	(266,671)	(114,343,264)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	4	820		820	910			910		910
Movements in Reserves										
Recognised in Statement of Comprehensive Expenditure										
Net gain/(loss) on revaluation of non-current assets			184,075	184,075		2,541,964	-	2,541,964	-	2,541,964
Net gain/(loss) on revaluation of charitable assets				-				-	163,096	163,096
Reclassification adjustment on disposal of available for sale financial assets			-	-		-	-	-		-
Impairments and reversals			(875)	(875)		(700,961)		(700,961)	-	(700,961)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	(22,417)		(5,656)	(28,073)		(28,073)
Net gain/(loss) on transfers by modified absorption		-		-	-			-		-
Other pensions remeasurements		-		-	3,046		(2,718)	328		328
Other gains and losses		-		-	(21,042)		55	(20,987)		(20,987)
Reserves eliminated on dissolution		-	-	-	-	-	-	-		-
Transfers between reserves		(41,036)	41,036	-	235,534	(235,227)	(307)	-	-	-
Other movements		-	7	7	35,906	(6,800)	28	29,134	85	29,219
Other transfers		147	-	147	(29,951)	(362)	-	(30,313)	(1,439)	(31,752)
Balance at 31 March 2015		**28,376,746**	**1,222,345**	**29,599,091**	**(6,786,073)**	**11,921,037**	**130,510**	**5,265,474**	**2,160,959**	**7,426,433**

Notes to the Department's Annual Report and Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 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.

As in previous years the 2015-16 Annual Report and Accounts includes two 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; and
- Receipts of National Insurance Contributions from the National Insurance Fund are recognised on a cash basis.

The Departmental Group has presented a net liabilities position on the Consolidated Statement of Financial Position due to a change in the HM Treasury prescribed discount rate for long term (>10 years) general provisions. As the increase in provision value reverses as the date of cash settlement approaches and the discount unwinds, it does not alter the amount of cash ultimately required to settle these liabilities and thus has no bearing on the financial sustainability of the Departmental Group. Parliament has demonstrated its commitment to fund the Department for the foreseeable future. Therefore there is no reason to believe funding will not be available to meet the future liabilities of the Departmental Group.

1.1 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.

1.2 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.

1.3 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 accounts are eliminated. A list of all those entities within the Departmental boundary is given at Note 21.

Following an amendment to the FReM in 2015-16, the financial statements have moved to a two column format comprising the Core Department and Agencies and the Departmental Group.

1.4 Going Concern

The Department of Health's Annual Report and Accounts are produced on a going concern basis. As detailed in note 1, 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.

1.5 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. 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 Pension Scheme[65].

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.

[65] www.nhsbsa.nhs.uk/pensions

The scheme is subject to a full actuarial valuation every four years and an accounting valuation every year. More details can be found in Note 3.

1.6 Grants payable

Where grant funding is not intended to be directly related to activity undertaken by a grant recipiant in a specific period, the Department recognises the expenditure in the period in which the grant is paid. All other grants are accounted for on an accruals basis.

1.7 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 a Public Sector Audit Appointments Limited 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.

1.8 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.

1.9 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.

1.10 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.

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.

1.11 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 North, Midlands and East. The model is reviewed regularly, with the latest such review carried out in March 2016.

Applying the financial model, DH Informatics programme assets are capitalised by reference to the remaining contract 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. 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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 positive 1.37% (2014-15: positive 1.30%) 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 *negative 1.55%* (2014-15: *negative 1.50%*) 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 *negative 1.00%* (2014-15: *negative 1.05%)* is applied to the time boundary of after 5 and up to and including 10 years and a long-term rate of *negative 0.80%* (2014-15: positive 2.20%) is applied to expected cashflows exceeding 10 years (all percentages are in real terms).

1.21 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 16, 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 1.20 above (i.e. short term *negative 1.55%,* medium term *negative 1.00%* and long term *negative 0.80%*), 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 17.

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 occurred on or before 31 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 1 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 2016 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 31 March 2002 all outstanding claims for incidents post 1 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 2016 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, the Government Actuaries Department (GAD), 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 16 and 17 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.

1.22 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.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts.

1.23 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's investment in NHS Trusts, NHS Foundation Trusts (providers) 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.

PDC is held at historic cost less impairments. The decision to impair the Department's PDC investment is taken when the following criteria are met:

- A decision has been taken by the regulatory body to cease provision of healthcare by a provider;
- The net assets of the provider have fallen below the total of PDC issued to it; and
- The provider is still providing healthcare services at the financial year end (i.e. formal write off, where required, of the provider's PDC has yet to be completed).

To allow full elimination of PDC on consolidation, any impairment to the Department's investment must be reversed at group level. This has no overall effect on the consolidation as the losses necessitating the impairment have already been recognised in the provider's financial statements.

Following closure of a provider, any PDC balance not transferred to a successor body is formally written off in the books of both the provider and Department, and no longer appears in the consolidated account.

1.24 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 Consolidated Statement of Comprehensive Net Expenditure on de-recognition.

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.

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 Consolidated Statement of Comprehensive Net Expenditure.

1.25 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. 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 Consolidated Statement of Comprehensive Net Expenditure.

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. This approach to valuing financial instruments is intended to reflect the value at which such instruments could be traded.

1.26 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. 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.

1.27 NHS Charities

Following the inclusion of NHS Charities (as defined by section 149 of the Charities Act 2011 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.

1.28 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 Consolidated Statement of Comprehensive Net Expenditure, 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.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration. Full assessments of the impact of these standards will be completed by the Department in due course.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue for Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted

1.30 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 - Note 7 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, Genomics England Ltd, Nursing and Midwifery Council and Skipton Fund Ltd.

Net expenditure by operating segment is regularly reported 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

		2015-16									
		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
Gross expenditure		115,082,485	4,167,806	30,501,682	77,565,079	102,391,172	5,579,290	1,449,705	1,258,508	(182,445,024)	155,550,703
Income		(1,934,218)	(228,138)	(2,389,112)	(74,140,073)	(2,192,507)	(282,347)	(1,168,160)	(227,517)	72,561,356	(10,000,716)
Total net expenditure (per CSCNE)		**113,148,267**	**3,939,668**	**28,112,570**	**3,425,006**	**100,198,665**	**5,296,943**	**281,545**	**1,030,991**	**(109,883,668)**	**145,549,987**
Budgeting adjustments per SoPS2											
Capital Grants		(561,970)	(1,554)	-	-	(78,896)	-	-	-	1,275	(641,145)
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		82,144	-	(224,524)	(13,581)	-	223,047	(14,172)	(1,024,754)	-	(971,840)
Total adjustments		**(479,826)**	**(1,554)**	**(224,524)**	**(13,581)**	**(78,896)**	**223,047**	**(14,172)**	**(1,024,754)**	**1,275**	**(1,612,985)**
Budget outturn per SoPS1, of which:		**112,668,441**	**3,938,114**	**27,888,046**	**3,411,425**	**100,119,769**	**5,519,990**	**267,373**	**6,237**	**(109,882,393)**	**143,937,002**
	RDEL	111,930,945	3,941,569	55,349	2,721,469	100,373,566	5,501,952	81,805	6,237	(109,882,393)	114,730,499
	RAME	737,496	(3,455)	27,832,697	689,956	(253,797)	18,038	185,568	-	-	29,206,503

		2014-15									
		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
Gross expenditure		111,148,127	3,860,581	9,035,645	74,202,933	99,732,323	599,369	1,348,597	609,017	(177,132,034)	123,404,558
Income		(1,689,132)	(235,851)	(1,307,710)	(72,710,543)	(2,155,908)	(177,305)	(1,090,521)	(342,346)	70,648,022	(9,061,294)
Total net expenditure (per CSCNE)		**109,458,995**	**3,624,730**	**7,727,935**	**1,492,390**	**97,576,415**	**422,064**	**258,076**	**266,671**	**(106,484,012)**	**114,343,264**
Budgeting adjustments per SoPS3											
Capital Grants		(231,722)	(13,865)	-	-	(66,275)	-	-	-	-	(311,862)
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		(6,401)	-	(400)	240,265	-	(846)	16,752	(307,739)	-	(58,369)
Total adjustments		**(238,123)**	**(13,865)**	**(400)**	**240,265**	**(66,275)**	**(846)**	**16,752**	**(307,739)**	**-**	**(370,231)**
Budget outturn per SoPS2, of which:		**109,220,872**	**3,610,865**	**7,727,535**	**1,732,655**	**97,510,140**	**421,218**	**274,828**	**(41,068)**	**(106,484,012)**	**113,973,033**
	RDEL	109,080,269	3,599,112	5,221,005	1,040,873	97,662,208	416,964	58,949	(41,068)	(106,484,012)	110,554,300
	RAME	140,603	11,753	2,506,530	691,782	(152,068)	4,254	215,879	-	-	3,418,733

2.2 Departmental Group Detail – Expenditure

	2015-16									
	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)	**113,148,267**	**3,939,668**	**28,112,570**	**3,425,006**	**100,198,665**	**5,296,943**	**281,545**	**1,030,991**	**(109,883,668)**	**145,549,987**
Material Expenditure Items										
Staff costs	122,704	303,628	120,694	48,674,263	1,741,655	546,291	147,004	-	(9,614)	51,646,625
Purchase of healthcare from non-NHS bodies	-	-	-	944,937	12,130,660	-	-	-	-	13,075,597
Purchase of social care	-	-	-	199,615	420,298	-	-	-	-	619,913
Expenditure on Drugs Action Teams	-	-	-	-	1,908	-	-	-	(1,458)	450
Non-GMS Services from GPs	-	-	-	-	-	-	-	-	-	-
General Dental Services (GDS) and Personal Dental Services (PDS)	-	-	-	-	3,313,160	-	-	-	(509,099)	2,804,061
Consultancy Services	7,657	-	137	297,055	112,964	1,503	13,348	-	(268)	432,396
Establishment	37,545	1,733	15,896	885,900	329,729	62,932	15,241	-	(105,485)	1,243,491
Transport (Business Travel)	10	9,750	1,912	339,029	24,437	21,553	3,820	-	(5,590)	394,921
Premises	11,346	28,924	9,917	2,523,236	61,846	36,832	351,399	-	(214,991)	2,808,509
PFI/Lift and other service concession arrangement charges	-	-	-	872,753	-	-	75,934	-	-	948,687
Business Rates Paid to Local Authorities	7,091	2,718	-	301,919	1,748	3,596	7	-	-	317,079
NHS Informatics Major Contracts Costs	332,776	-	-	-	-	-	-	-	(14,410)	318,366
Clinical negligence Costs	-	-	-	1,417,348	373	133	-	-	(1,417,582)	272
Education, Training and Conferences	2,505	4,156	218	247,041	142,395	7,694	3,347	-	(17,624)	389,732
Multi Professional Education and Training (MPET)	-	-	-	-	-	4,738,117	-	-	(2,957,721)	1,780,396
Prescribing Costs	-	-	-	-	8,557,135	-	-	-	(9,710)	8,547,425
G/PMS, APMS and PCTMS	-	-	-	-	7,797,894	-	-	-	(33,722)	7,764,172
Pharmaceutical Services	-	-	-	-	2,105,899	-	-	-	(890)	2,105,009
General Ophthalmic Services	-	-	-	-	542,339	-	-	-	(278)	542,061
Supplies and Services - Clinical	-	-	-	4,069,587	176,716	60	3,083	-	(174,028)	4,075,418
Supplies and Services - General	-	250,207	115,755	1,113,054	1,116,437	45,063	71,957	-	(530,177)	2,182,296
Grants to Other Bodies	141,334	5	-	-	29,763	-	-	-	(75,875)	95,227
Grants to Local Authorities	81,366	3,036,236	-	-	-	-	-	-	-	3,117,602
Capital Grants	561,970	1,554	-	-	78,896	-	-	-	(1,275)	641,145
Movement in provision for impairment of receivables	1	565	-	95,653	9,994	180	16,273	-	9,234	131,900
Inventories consumed	-	372,295	712,113	8,826,803	2,871	-	-	-	(653,428)	9,260,654
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	839,407	-	-	-	-	(839,407)	-
Rentals under operating leases	14,216	12,496	2,992	633,823	351,471	18,003	118,420	-	(537,139)	614,282
Interest charges	641	-	-	882,490	690	-	171,204	-	(37,053)	1,017,972
Research and development	1,059,081	1,840	-	188,354	13,400	-	3,232	-	(769,141)	496,766
Depreciation on property, plant and equipment	31,192	20,106	5,953	2,036,342	73,795	9,580	154,882	-	-	2,331,850
Amortisation on intangible assets	521,439	4,175	11,008	150,048	5,455	20,805	-	-	-	712,930
Impairments and reversals	801	104,414	1,982	888,364	336	(7)	67,399	-	-	1,063,289
Provisions provided for in year	613,407	(2,290)	3,860,653	97,742	(124,346)	16,520	(2,364)	-	-	4,459,322
Non-cash expenditure from movement in pension liability	-	-	-	2,874	216	8,453	-	-	-	11,543
Grant in Aid	105,683,053	-	-	-	-	-	-	-	(105,683,053)	-
Funding to Group Bodies	4,200,615	-	-	-	-	-	-	-	(4,200,615)	-
Provisions - Change in discount rate	412,925	-	25,473,368	(647)	341	2	-	-	-	25,885,989
Other	730,838	396	120,461	603,272	40,684	34,719	49,672	-	206,428	1,786,470
Goods and Services from other NHS Bodies	-	-	-	109,208	63,158,933	-	-	-	(63,232,592)	35,549
Additional support for delivery of healthcare services	331,310	-	-	-	-	-	-	-	(331,310)	-
DH support for mergers	149,334	-	-	-	-	-	-	-	(149,334)	-
Resources expended by NHS charities	-	-	-	-	-	-	-	1,258,508	(117,986)	1,140,522
Non material expenditure categories	27,328	14,898	48,623	325,609	171,080	7,261	185,847	-	(29,831)	750,815
Total Expenditure	**115,082,485**	**4,167,806**	**30,501,682**	**77,565,079**	**102,391,172**	**5,579,290**	**1,449,705**	**1,258,508**	**(182,445,024)**	**155,550,703**

1. Core Department legal fees of £18.3 million that were categorised as "Other" in the prior year published account are now included within "Non material expenditure categories after inter-company eliminations" following their separate disclose within the expenditure note.
2. Intercompany trading between bodies within the Departmental Group is eliminated upon consolidation. Where immaterial differences exist between the intercompany 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 note 4 to these accounts.

	2014-15									
	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)	**109,458,995**	**3,624,730**	**7,727,935**	**1,492,390**	**97,576,415**	**422,064**	**258,076**	**266,671**	**(106,484,012)**	**114,343,264**
Material Expenditure Items										
Staff costs	111,159	315,106	256,650	47,088,889	1,726,006	364,148	100,389	-	(13,684)	49,948,663
Purchase of healthcare from non-NHS bodies	-	-	-	779,154	10,297,378	-	-	-	-	11,076,532
Social Care from Independent Providers	-	-	-	-	1,278,015	-	-	-	-	1,278,015
Expenditure on Drugs Action Teams	-	-	-	-	1,369	-	-	-	-	1,369
Non-GMS Services from GPs	-	-	-	-	-	-	-	-	-	-
General Dental Services (GDS) and Personal Dental Services (PDS)	-	-	-	-	3,114,073	-	-	-	(367,765)	2,746,308
Consultancy Services	8,691	194	192	417,327	157,914	15,092	6,048	-	(1,243)	604,215
Establishment	53,728	3,864	57,665	868,366	333,568	21,581	19,601	-	(94,464)	1,263,909
Transport (Business Travel)	29	9,988	1,774	350,976	23,417	17,631	3,452	-	(3,594)	403,673
Premises	11,769	29,838	43,390	2,505,050	127,095	9,151	362,045	-	(311,768)	2,776,570
PFI/Lift and other service concession arrangement charges	-	-	-	854,841	-	-	75,101	-	-	929,942
Business Rates Paid to Local Authorities	6,840	-	-	254,730	9,960	1,736	-	-	-	273,266
NHS Informatics Major Contracts Costs	374,887	-	-	-	-	-	-	-	-	374,887
Clinical negligence Costs	-	-	-	1,052,668	391	-	-	-	(1,052,957)	102
Education, Training and Conferences	5,592	4,906	5,441	266,247	135,425	5,111	1,035	-	(15,542)	408,215
Multi Professional Education and Training (MPET)	-	-	4,780,428	-	-	-	-	-	(3,194,244)	1,586,184
Prescribing Costs	-	-	-	-	8,216,012	-	-	-	(9,756)	8,206,256
G/PMS, APMS and PCTMS	-	-	-	-	7,686,658	-	-	-	(37,282)	7,649,376
Pharmaceutical Services	-	-	-	-	2,132,112	-	-	-	(3,528)	2,128,584
General Ophthalmic Services	-	-	-	-	527,709	-	-	-	(9)	527,700
Supplies and Services - Clinical	-	-	54	4,027,134	166,469	-	1,078	-	(97,563)	4,097,172
Supplies and Services - General	-	243,607	1,111	1,076,947	599,552	63,733	48,497	-	(299,658)	1,733,789
Grants to Other Bodies	164,206	315	-	-	18,521	4	-	-	(81,508)	101,538
Grants to Local Authorities	100,472	2,794,899	-	-	-	-	-	-	-	2,895,371
Capital Grants	231,722	13,865	-	-	66,275	-	-	-	-	311,862
Movement in provision for impairment of receivables	1,261	566	17	131,975	13,247	80	20,433	-	(2,797)	164,782
Inventories consumed	-	327,748	-	7,893,126	3,429	-	-	-	-	8,224,303
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	867,937	-	-	-	-	(867,937)	-
Rentals under operating leases	14,303	12,423	3,790	632,499	321,881	16,898	141,874	-	(520,183)	623,485
Interest charges	761	-	-	850,204	1,252	-	168,010	-	(77,118)	943,109
Research and development	1,035,355	2,599	-	184,873	13,953	-	-	-	(774,713)	462,067
Depreciation on property, plant and equipment	44,234	18,867	6,566	2,035,610	48,879	8,104	110,398	-	-	2,272,658
Amortisation on intangible assets	637,332	4,081	8,514	128,213	6,150	18,074	-	-	-	802,364
Impairments and reversals	38,965	53,616	(12,141)	607,994	19,131	(95)	236,474	-	-	943,944
Provisions provided for in year	678,685	10,661	3,576,047	104,837	(53,978)	2,126	(5,441)	-	-	4,312,937
Non-cash expenditure from movement in pension liability	-	-	-	2,427	-	8,082	-	-	-	10,509
Grant in Aid	97,788,826	-	-	-	-	-	-	-	(97,788,826)	-
Funding to Group Bodies	8,695,186	-	-	-	-	-	-	-	(8,695,186)	-
Provisions - Change in discount rate	2,280	-	124,895	15,151	(12,235)	(18)	-	-	-	130,073
Other	702,469	122	146,893	859,680	22,428	38,588	40,881	-	336,560	2,147,621
Goods and Services from other NHS Bodies	-	-	-	106,874	62,510,906	-	(15)	-	(62,585,798)	31,967
Additional support for delivery of healthcare services	302,464	-	-	-	50,636	-	-	-	(353,100)	-
DH support for mergers	91,131	-	-	-	-	-	-	-	(91,131)	-
Resources expended by NHS charities	-	-	-	-	-	-	-	609,017	(100,800)	508,217
Non material expenditure categories	45,780	13,316	34,359	239,204	168,725	9,343	18,737	-	(26,440)	503,024
Total Expenditure	**111,148,127**	**3,860,581**	**9,035,645**	**74,202,933**	**99,732,323**	**599,369**	**1,348,597**	**609,017**	**(177,132,034)**	**123,404,558**

2.3 Departmental Group Detail - Income

	2015-16									
	DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England £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	-	-	-	(2,027,127)	-	-	-	-	-	(2,027,127)
Income from Private patients	-	-	-	(558,194)	-	-	-	-	-	(558,194)
Income from DH/NHS bodies	-	-	-	(63,543,282)	-	-	-	-	63,418,446	(124,836)
Additional income for delivery of healthcare services	-	-	-	(331,310)	-	-	-	-	331,310	-
Other non-NHS patient care services	-	-	-	(544,070)	-	-	-	-	-	(544,070)
Interest revenue	(137,940)	-	-	(20,170)	-	(55)	(12,813)	-	36,700	(134,278)
Prescription Pricing Regulation Scheme	(664,623)	-	-	-	-	-	-	-	-	(664,623)
Prescription Fees and Charges	-	-	-	-	(523,539)	-	-	-	-	(523,539)
Dental Fees and Charges	-	-	-	-	(743,843)	-	-	-	-	(743,843)
Other Fees and Charges	-	(217,914)	(1,582,554)	(164,804)	-	(127,246)	(79,417)	-	1,657,098	(514,837)
PDC Dividend Received	(839,407)	-	-	-	-	-	-	-	839,407	-
Education, training and research	-	(1,724)	-	(3,640,007)	(230,956)	(90,169)	-	-	3,626,497	(336,359)
Income from Injury costs recovery	-	-	-	(194,189)	-	-	-	-	-	(194,189)
Charitable and other contributions to expenditure	-	-	-	(80,427)	(3,290)	-	-	-	38,394	(45,323)
Rental revenue from operating leases	(19,051)	(8,500)	-	(81,715)	(302)	(164)	(752,505)	-	627,393	(234,844)
Non patient care services to other bodies[1]	(46,780)	-	(805,340)	(709,978)	(383,512)	(58,171)	(21,908)	-	1,259,865	(765,824)
Support from DH for mergers	-	-	-	(149,334)	-	-	-	-	149,334	-
Other[1]	(54,644)	-	(107)	(1,544,820)	(302,154)	(5,859)	(276,681)	-	487,994	(1,696,271)
Income received by NHS charities	-	-	-	-	-	-	-	(227,517)	-	(227,517)
Non-material income categories	(171,773)	-	(1,111)	(550,646)	(4,911)	(683)	(24,836)	-	88,918	(665,042)
Total Income	**(1,934,218)**	**(228,138)**	**(2,389,112)**	**(74,140,073)**	**(2,192,507)**	**(282,347)**	**(1,168,160)**	**(227,517)**	**72,561,356**	**(10,000,716)**
Total net expenditure (per CSCNE)	**113,148,267**	**3,939,668**	**28,112,570**	**3,425,006**	**100,198,665**	**5,296,943**	**281,545**	**1,030,991**	**(109,883,668)**	**145,549,987**

1. From 2015-16 onwards, the Core Department's income from sales of goods and services is reported in the "Non patient care services to other bodies" category. This income was previously incorporated within "Other" income. The prior period figures have been reconfigured to aid year on year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported.

	2014-15									
	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	-	-	-	(1,813,475)	-	-	-	-	-	(1,813,475)
Income from Private patients	-	-	-	(526,138)	-	-	-	-	-	(526,138)
Income from DH/NHS bodies	-	-	-	(62,642,349)	-	-	-	-	62,519,211	(123,138)
Additional income for delivery of healthcare services	-	-	-	(353,100)	-	-	-	-	353,100	-
Other non-NHS patient care services	-	-	-	(403,594)	-	-	-	-	-	(403,594)
Interest revenue	(99,762)	-	-	(21,705)	-	(6)	(11,932)	-	75,994	(57,411)
Prescription Pricing Regulation Scheme	(431,608)	-	-	-	-	-	-	-	-	(431,608)
Prescription Fees and Charges	-	-	-	-	(503,940)	-	-	-	-	(503,940)
Dental Fees and Charges	-	-	-	-	(716,014)	-	-	-	-	(716,014)
Other Fees and Charges	-	(233,983)	(1,215,094)	(167,545)	-	(117,924)	-	-	1,286,488	(448,058)
PDC Dividend Received	(867,937)	-	-	-	-	-	-	-	867,937	-
Education, training and research	-	(1,868)	(88,282)	(3,680,447)	(280,807)	-	-	-	3,678,337	(373,067)
Income from Injury costs recovery	-	-	-	(202,407)	-	-	-	-	-	(202,407)
Charitable and other contributions to expenditure	-	-	-	(93,479)	(2,278)	-	-	-	44,238	(51,519)
Rental revenue from operating leases	(17,957)	-	-	(88,319)	-	(236)	(712,220)	-	566,995	(251,737)
Non patient care services to other bodies	(44,300)	-	(11)	(724,787)	(368,117)	(52,659)	(31,947)	-	515,363	(706,458)
Support from DH for mergers	-	-	-	(91,131)	-	-	-	-	91,131	-
Other	(138,806)	-	(3,074)	(1,482,852)	(281,337)	(6,122)	(310,865)	-	576,975	(1,646,081)
Income received by NHS charities	-	-	-	-	-	-	-	(342,346)	-	(342,346)
Non-material income categories	(88,762)	-	(1,249)	(419,215)	(3,415)	(358)	(23,557)	-	72,253	(464,303)
Total Income	**(1,689,132)**	**(235,851)**	**(1,307,710)**	**(72,710,543)**	**(2,155,908)**	**(177,305)**	**(1,090,521)**	**(342,346)**	**70,648,022**	**(9,061,294)**
Total net expenditure (per CSCNE)	**109,458,995**	**3,624,730**	**7,727,935**	**1,492,390**	**97,576,415**	**422,064**	**258,076**	**266,671**	**(106,484,012)**	**114,343,264**

3. Staff costs

Staff costs for the Departmental Group comprise:

	2015-16 £'000 Total	2014-15 £'000 Total
Salaries and wages	44,020,088	42,540,981
Social Security costs	3,064,140	3,007,037
NHS Pension	4,636,466	4,460,341
Other pension costs[1]	70,012	35,258
Termination benefits	88,196	129,917
Sub-total	**51,878,902**	**50,173,534**
Less recoveries in respect of outward secondments	(71,136)	(79,890)
Total Net Costs	**51,807,766**	**50,093,644**

1. The 2014-15 Other Pension Costs figure is shown net off a one-off accrual reversal of £12.1 million within the core Department. The accrual was reversed and re-categorised as a provision due to uncertainty over the timing and amount of the liability.

Of which:	Charged to revenue budgets	Charged to capital	2015-16 £'000 Total
Core Dept & Agencies	426,332	935	427,267
Other designated bodies	51,287,275	160,206	51,447,481
Less elimination of intra-group expenditure	(66,982)	-	(66,982)
Total	**51,646,625**	**161,141**	**51,807,766**

	Charged to revenue budgets	Charged to capital	2014-15 £'000 Total
Core Dept & Agencies	426,265	724	426,989
Other designated bodies	49,595,093	144,257	49,739,350
Less elimination of intra-group expenditure	(72,695)	-	(72,695)
Total	**49,948,663**	**144,981**	**50,093,644**

Staff numbers in the Annual Report and Accounts are calculated in line with public sector accounts disclosure requirements using a financial year average (using the number of staff at the end of each quarter and averaging them over the year). Staff numbers are calculated using Office for National Statistics categorisation and can be found in the staff report.

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "alpha" are unfunded multi-employer defined benefit schemes but bodies within the Departmental Group are unable to identify their share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012, this is shown in the Cabinet Office: Civil Superannuation[66].

[66] http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2015-16, employers' contributions of £18,341,879 were payable to the PCSPS (2014-15: £17,228,477) at one of four rates in the range 20.0% to 24.5% (2014-15: 16.7% to 24.3%) of pensionable earnings, 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 2015-16 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 £110,093, (2014-15: £66,174) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% of pensionable earnings up to 30 September 2015 and from 8.0% to 14.8% of pensionable earning from 1 October 2015.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,587, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, (2014-15: £5,429, 0.8% for the full year) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or 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 2012[67].

For 2015-16, employers' contributions were payable to the NHS Pension Scheme at the rate of 14.3% 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.

Of the £4,636.5 million (2014-15: £4,460.3 million) against NHS pension costs, £145.3 million is attributable to NHS England Group (2014-15 £139.3 million), £1,652.4 million (2014-15 £1,723.5 million) to NHS Trusts and £2,771.1 million (2014-15 £2,524.1 million) to NHS Foundation Trusts with the balance of £67.7 million (2014-15 £73.4 million) to arm's length bodies.

[67] www.nhsbsa.nhs.uk/pensions

4 Expenditure

4.1 Expenditure

	Note	2015-16 £'000 Core Dept & Agencies	2015-16 £'000 Departmental Group	2014-15 £'000 Core Dept & Agencies	2014-15 £'000 Departmental Group
4.1 (a) Purchase of goods and services					
Rentals Under Operating Leases		26,574	614,282	25,903	623,485
Supplies and services - clinical		-	4,075,418	-	4,097,172
Supplies and services - general		242,639	2,182,296	237,901	1,733,789
Goods and services from other NHS bodies		-	35,549	-	31,967
Multi Professional Education and Training (MPET)		-	1,780,396	-	1,586,184
Additional support for delivery of healthcare services		331,310	-	302,464	-
Purchase of healthcare from non NHS bodies[11]		-	13,075,597	-	11,076,532
Purchase of Social Care		-	619,913	-	1,278,015
Expenditure on Drug Action Teams		-	450	-	1,369
General Dental Services (GDS) and Personal Dental Services (PDS)[7]		-	2,804,061	-	2,746,308
Non GMS Services from GPs		-	-	-	-
Prescribing Costs		-	8,547,425	-	8,206,256
G/PMS, APMS and PCTMS[1]		-	7,764,172	-	7,649,376
Pharmaceutical Services[8]		-	2,105,009	-	2,128,584
General Ophthalmic Services		-	542,061	-	527,700
Consultancy services		7,657	432,396	8,885	604,215
Establishment		39,244	1,243,491	55,599	1,263,909
Transport (Business Travel)		9,760	394,921	10,017	403,673
Premises		40,303	2,808,509	41,633	2,776,570
Education, Training and Conferences		6,678	389,732	10,525	408,215
Insurance		97	39,583	231	44,184
Legal fees[5]		20,973	198,806	19,271	208,067
NHS Informatics Major Contracts Cost		332,776	318,366	374,887	374,887
Audit fees - statutory audit (cash)		-	33,688	-	41,658
Other auditor's remuneration		4	53,606	4	11,502
Non cash items					
Audit fees - non cash[2]		824	914	820	910
Purchase of goods and services		**1,058,839**	**50,060,641**	**1,088,140**	**47,824,527**
4.1 (b) Depreciation and impairment charges					
Non cash items					
Depreciation on property, plant and equipment		51,298	2,331,850	63,101	2,272,658
Amortisation on intangible assets		525,614	712,930	641,413	802,364
Impairments and reversals		105,215	1,063,289	92,581	943,944
Depreciation and impairment charges		**682,127**	**4,108,069**	**797,095**	**4,018,966**
4.1 (c) Provision expense					
Non cash items					
Non-cash expenditure from movement in pension liability		-	11,543	-	10,509
Provision provided for in year		611,117	4,459,322	689,346	4,312,937
Change in discount rate[10]		412,925	25,885,989	2,280	130,073
Provision expense		**1,024,042**	**30,356,854**	**691,626**	**4,453,519**
4.1 (d) Other operating expenditure					
PFI/LIFT and other service concession arrangements charges		-	948,687	-	929,942
Chair and non-executive Directors' costs		-	78,008	-	79,786
Business rates paid to Local Authorities		9,809	317,079	6,840	273,266
Clinical negligence		-	272	-	102
Research and development		1,058,272	496,766	1,033,082	462,067
Grants to Local Authorities		3,117,602	3,117,602	2,895,371	2,895,371
Grants to Other bodies		141,339	95,227	164,521	101,538
Capital Grants		563,524	641,145	245,587	311,862
DH support for mergers		149,334	-	91,131	-
Prior period adjustments in local accounts		-	15,948	-	2,957
Non cash items					
Loss on disposal of non-current assets and assets held for sale		5,130	35,241	30,646	49,615
Movement in provision for impairment of receivables		566	131,900	1,827	164,782
Inventories write down		13,034	22,777	10,084	17,975
Inventories consumed		372,295	9,260,654	327,748	8,224,303
Prior period adjustments in local accounts (non cash)		-	247,151	1,500	9,560
Changes in fair value through SoCNE		-	(20,331)	-	-
Other non-cash expenditure		(16,946)	(15,850)	(2,579)	(2,958)
Other[3,4]		732,354	1,786,470	702,565	2,147,621
Other operating expenditure		**6,146,313**	**17,158,746**	**5,508,323**	**15,667,789**

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. Note 1.7 (audit costs) explains that the Core Department and Agencies audit fee is a notional charge, resulting in its classification as a non cash item.
3. The Core Depart & Agencies "Other" expenditure figure of £732.4 million (£702.6 million in 2014-15) includes £392.1 million of revenue policy payments (£279.1 million in 2014-15), £141.1 million in respect of outsourcing contracts (£174.9 million in 2014-15) and £139.0 million of Healthy Start – Welfare Foods payments (£144.6 million in 2014-15).

4. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.2 *Departmental Group Detail – Expenditure*.
5. From 2015-16 onwards, the core Department's expenditure on "Legal Fees" is reported as a separate expenditure category. These charges were previously incorporated within "Other" expenditure. The prior period figures have been reconfigured to aid year on year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported.
6. This note includes the expenditure previously disclosed in the Other Administration Costs (Note 4 in 2014-15) and Programme Costs (Note 5 in 2014-15) notes in previous years, with the exception of Departmental funding streams (Grant in Aid and Parliamentary Funding) which are now disclosed solely in the Consolidated Statement of Comprehensive Net Expenditure. In comparison to previous years, and in accordance with HM Treasury's Simplifying and Streamlining Accounts project, the note contains a number of presentational changes. These include the removal of the distinction of expenditure between administration and programme costs and the grouping of expenditure categories into the following sub-headings: Purchase of goods and services, Depreciation and impairment charges, Provision expense and Other operating expenditure. Additionally finance expenses (comprising interest charges and the unwinding of discount on provisions) are now excluded from this note and are disclosed beneath net operating expenditure for the year in the Consolidated Statement of Comprehensive Net Expenditure. The new format has been applied to the prior year figures to ensure year-on-year comparability.
7. General Dental Services (GDS) and Personal Dental Services (PDS) are alternative models for dental care.
8. Pharmaceutical Services includes Local Pharmaceutical Services Pilots and the New Pharmacy Contract.
9. Core Department and Agencies expenditure figures may be greater than those of the Departmental Group due to the elimination of intercompany trading.
10. For more details on 'Change in discount rate' see notes 1.2 and 16.
11. The increase in Purchase of Healthcare from non NHS bodies of £1,998.1million is mainly attributable to NHS England. The increase predominantly relates to expenditure on the Better Care Fund and a Community Services contract and the reclassification of expenditure from the Purchase of Social Care and Expenditure on Drugs Action Teams lines.

Note 4.2 Non-cash transactions

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

	2015-16 £'000	2014-15 £'000
	Departmental Group	Departmental Group
Expenditure after financing activities - non-cash items (Note 4 & SOCNE)	44,188,653	16,976,440
Less non-cash income after financing activities (Note 5 & SOCNE)	(168,213)	(145,549)
Other non-cash amounts charged to operating expenditure	-	-
Total non-cash transactions	**44,020,440**	**16,830,891**
Movement in provision for impairment of receivables	(131,900)	(164,782)
Inventories consumed	(9,260,654)	(8,224,303)
Inventories write down	(22,777)	(17,975)
Less non-cash movements on SoFP balances analysed separately in the Cash Flow statement	**(9,415,331)**	**(8,407,060)**
Total non-cash transactions as per Consolidated Statement of Cash Flows	**34,605,109**	**8,423,831**

5. Income

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Income from sale of goods and services				
Revenue from Patient Care activities				
Income from Local Authorities	-	2,027,127	-	1,813,475
Income from Private patients	-	558,194	-	526,138
Income from Chargeable Overseas Patients	-	69,246	-	46,797
Income from Injury costs recovery	-	194,189	-	202,407
Income from other EU states for treatment of their citizens	58,572	58,572	50,045	50,045
Income from DH/NHS bodies	-	124,836	-	123,138
Additional income for delivery of healthcare services	-	-	-	-
Other non-NHS patient care services	-	544,070	-	403,594
Other Non Trading Income				
Rental revenue from finance leases	-	3,078	-	1,771
Rental revenue from operating leases	23,294	234,844	13,921	251,737
Non-patient care services to other bodies[2]	45,902	765,824	44,300	706,458
Education, training and research	1,724	336,359	1,868	373,067
Income from sale of goods and services	**129,492**	**4,916,339**	**110,134**	**4,498,627**
Other operating income				
Prescription Pricing Regulation Scheme	664,623	664,623	431,608	431,608
Prescription Fees and Charges	-	523,539	-	503,940
Dental Fees and Charges	-	743,843	-	716,014
Other Fees and Charges	212,732	514,837	218,585	448,058
PDC Dividend Received	839,407	-	867,937	-
PDC Commitment Fee	365	-	1,157	-
Charitable and other contributions to expenditure	-	45,323	-	51,519
Receipt of donations for capital acquisitions	-	35,500	-	49,191
Receipt of grants for capital acquisitions	-	75,406	-	29,137
Support from DH for mergers	-	-	-	-
Profit on disposal	1,028	134,203	15,362	93,052
Dividends	104,551	111,222	14,393	20,622
Income in respect of Staff Costs	-	173,870	-	157,455
Other non cash income	9,823	11,296	10,985	19,565
Funding from other Government departments	-	196	-	336
Prior period adjustments in local accounts	-	(4,981)	-	(488)
Other[1,2]	55,742	1,696,271	144,873	1,646,081
Other operating income	**1,888,271**	**4,725,148**	**1,704,900**	**4,166,090**

1. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.3 *Departmental Group Detail – Income.*
2. From 2015-16 onwards, the Core Department's income from sales of goods and services is reported in the "Non-patient care services to other bodies" category. This income was previously incorporated within "Other" income. The prior period figures have been reconfigured to aid year on year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported.
3. This note includes the income previously disclosed in the Administration Income (Note 6.1 in 2014-15) and Programme Income (Note 6.2 in 2014-15) notes in previous years. In comparison to previous years, and in accordance with HM Treasury's Simplifying and Streamlining Accounts project, the note contains a number of presentational changes. These include the removal of the distinction of income between administration and programme income and the grouping of income categories into the following

sub-headings: Income from sale of goods and services and Other operating income. Additionally finance income (comprising interest and investment income and the unwinding of discount on receivables) is now excluded from this note and is disclosed solely beneath net operating expenditure for the year in the Consolidated Statement of Comprehensive Net Expenditure. The new format has also been applied to the prior year figures to ensure year-on-year comparability.

6. Property, plant and equipment

Departmental Group 2015-16

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture & Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2015	**7,525,331**	**38,988,946**	**409,907**	**3,425,374**	**1,738,040**	**638,829**	**8,505,373**	**432,920**	**705,307**	**62,370,027**
Prior period adjustments in underlying accounts	(141,292)	(260,583)	(2,632)	(4,470)	(7,643)	(422)	(2,001)	(307)	-	(419,350)
Additions	8,354	1,087,374	2,394	329,066	1,542,573	33,597	428,816	20,331	83,269	3,535,774
Donations	-	28,292	193	2,084	87,006	1,180	52,180	96	-	171,031
Impairments and reversals	(705,101)	(1,433,009)	(7,505)	(3,781)	(33,613)	(1,250)	(12,828)	(23)	(103,819)	(2,300,929)
Transfers	(750)	53,083	-	3,237	(15,063)	-	(9,608)	-	(1,733)	29,166
Reclassifications	(30,945)	920,853	(19,734)	132,080	(1,479,027)	9,321	148,206	38,255	-	(280,991)
Revaluation and indexation	51,671	620,430	12,197	(524)	16	(333)	(1,745)	(32)	9,967	691,647
Disposals	(34,689)	(55,021)	(2,643)	(171,472)	(1,237)	(37,503)	(332,599)	(38,657)	(10,963)	(684,784)
At 31 March 2016	**6,672,579**	**39,950,365**	**392,177**	**3,711,594**	**1,831,052**	**643,419**	**8,775,794**	**452,583**	**682,028**	**63,111,591**
Depreciation										
At 1 April 2015	**83,801**	**2,827,677**	**39,760**	**2,170,138**	**-**	**404,642**	**5,594,155**	**275,964**	**-**	**11,396,137**
Prior period adjustments in underlying accounts	(11,416)	(182,082)	(2,632)	(2,569)	-	4,627	(890)	(286)	-	(195,248)
Charged in year	68	1,186,861	11,624	400,385	-	48,419	638,197	46,296	-	2,331,850
Impairments and reversals transferred to the Revaluation Reserve	547	(69,716)	(13)	-	-	-	(2,572)	-	-	(71,754)
Impairments and reversals transferred to the CSCNE	36,563	(103,758)	(2,542)	1,695	-	58	(3,109)	451	-	(70,642)
Impairments and reversals	37,110	(173,474)	(2,555)	1,695	-	58	(5,681)	451	-	(142,396)
Transfers	-	-	-	2,253	-	-	(4,718)	-	-	(2,465)
Reclassifications	(270)	(82,292)	(571)	(9,572)	-	(228)	(10,923)	(3,773)	-	(107,629)
Revaluation and indexation	(27,309)	(932,397)	(6,113)	(574)	-	(173)	(1,318)	(27)	-	(967,911)
Disposals	(190)	(25,635)	(173)	(166,987)	-	(34,292)	(319,122)	(38,183)	-	(584,582)
At 31 March 2016	**81,794**	**2,618,658**	**39,340**	**2,394,769**	**-**	**423,053**	**5,889,700**	**280,442**	**-**	**11,727,756**
Net book value at 31 March 2016	**6,590,785**	**37,331,707**	**352,837**	**1,316,825**	**1,831,052**	**220,366**	**2,886,094**	**172,141**	**682,028**	**51,383,835**
Net book value at March 2015	7,441,530	36,161,269	370,147	1,255,236	1,738,040	234,187	2,911,218	156,956	705,307	50,973,890
Asset financing:										
Owned - purchased	6,140,922	24,577,686	257,152	1,295,857	1,708,018	204,917	2,372,876	170,610	682,028	37,410,066
Owned - donated	87,071	1,177,975	11,464	7,562	104,625	13,266	269,485	1,198	-	1,672,646
Finance leased	59,350	406,347	18,033	8,634	5,923	1,386	139,695	333	-	639,701
On-Statement of Financial Position PFI contracts	303,442	11,169,699	54,466	4,772	12,486	797	104,038	-	-	11,649,700
PFI residual interests	-	-	11,722	-	-	-	-	-	-	11,722
Net book value at 31 March 2016	**6,590,785**	**37,331,707**	**352,837**	**1,316,825**	**1,831,052**	**220,366**	**2,886,094**	**172,141**	**682,028**	**51,383,835**

Analysis of property, plant and equipment

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture & Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core Dept & Agencies	133,834	202,309	-	22,829	32,467	6,601	58,843	-	682,028	1,138,911
Other designated bodies	6,456,951	37,129,398	352,837	1,293,996	1,798,585	213,765	2,827,251	172,141	-	50,244,924
Net book value at 31 March 2016	**6,590,785**	**37,331,707**	**352,837**	**1,316,825**	**1,831,052**	**220,366**	**2,886,094**	**172,141**	**682,028**	**51,383,835**

1. Stockpiled goods are not depreciated, as agreed with HM Treasury.
2. The Department leases the headquarters buildings, Richmond House and Wellington House, from the Department for Local Government and Communities (DCLG) for no consideration. DCLG in turn leases the assets from the HM Treasury UK Sovereign Sukuk plc, for which HMT is paying the lease costs. As the Department retains control of these properties their value is included in the "Buildings (excluding dwellings)" column above.

Property has been valued as follows:

- The Civil Estate (land and buildings held for use by the core Department) was valued on 1 September 2015 by independent valuers employed by the Department.
- Land and buildings held by NHS bodies are valued, by independent valuers, to a modern equivalent basis as required by HM Treasury, details of which can be found in the individual body accounts.
- All valuations have been undertaken according to Royal Institute of Chartered Surveyors (RICS) guidelines.
- The Retained Estate comprises land and buildings (£40.4m at 31 March 2016) 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 2015. 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 – 100 years
- Transport equipment: 1 - 18 years
- Information technology: 1 - 20 years
- Plant and machinery: 1 - 35 years
- Furniture and fittings: 1 - 50 years

	Departmental Group 2014-15									
	Land £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Information Technology £'000	Payments on Account & Assets Under Construction £'000	Furniture & Fittings £'000	Plant & Machinery £'000	Transport Equipment £'000	Stockpiled Goods £'000	Total £'000
Cost or valuation										
At 1 April 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**
Prior period adjustments in underlying accounts	(32,420)	(193,522)	(1,585)	(10,718)	(6,656)	(4,066)	(353)	(227)	-	(249,547)
Additions	77,997	1,175,970	8,700	392,212	1,619,007	33,189	502,591	20,776	36,099	3,866,541
Donations	388	36,005	-	1,562	55,374	2,051	48,828	581	-	144,789
Impairments and reversals	(342,460)	(699,207)	(16,430)	(29,257)	(30,864)	(6,912)	(10,114)	(148)	(75,412)	(1,210,804)
Transfers	-	-	-	-	-	-	-	-	(440)	(440)
Reclassifications	(172,613)	986,320	1,252	141,403	(1,577,442)	(2,831)	144,570	6,471	(1)	(472,871)
Revaluation and indexation	460,892	130,379	3,925	(1,885)	2,371	(2,559)	7,894	(3,232)	1,940	599,725
Disposals	(47,185)	(133,698)	(3,981)	(455,378)	(10,875)	(28,946)	(380,810)	(25,206)	(75,147)	(1,161,226)
At 31 March 2015	**7,525,331**	**38,988,946**	**409,907**	**3,425,374**	**1,738,040**	**638,829**	**8,505,373**	**432,920**	**705,307**	**62,370,027**
Depreciation										
At 1 April 2014	**108,716**	**3,549,100**	**50,629**	**2,273,165**	**-**	**399,463**	**5,336,838**	**270,644**	**-**	**11,988,555**
Prior period adjustments in underlying accounts	(37,925)	(221,618)	(1,541)	(5,780)	-	(4,087)	(345)	(159)	-	(271,455)
Charged in year	84	1,157,072	12,872	371,365	-	48,494	639,933	42,837	-	2,272,657
Impairments and reversals	188,108	217,397	1,309	(7,612)	-	(2,516)	2,557	648	-	399,891
Transfers	-	-	-	3,310	-	-	-	-	-	3,310
Reclassifications	(2,805)	(85,404)	(4,573)	(10,297)	-	(5,854)	(17,870)	(10,333)	-	(137,136)
Revaluation and indexation	(172,003)	(1,674,218)	(18,139)	(5,032)	-	(2,386)	4,220	(3,381)	-	(1,870,939)
Disposals	(374)	(114,652)	(797)	(448,981)	-	(28,472)	(371,178)	(24,292)	-	(988,746)
At 31 March 2015	**83,801**	**2,827,677**	**39,760**	**2,170,138**	**-**	**404,642**	**5,594,155**	**275,964**	**-**	**11,396,137**
Net book value at 31 March 2015	**7,441,530**	**36,161,269**	**370,147**	**1,255,236**	**1,738,040**	**234,187**	**2,911,218**	**156,956**	**705,307**	**50,973,890**
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
Asset financing:										
Owned - purchased	6,952,461	23,964,277	282,911	1,230,326	1,650,036	215,621	2,357,773	154,816	705,307	37,513,528
Owned - donated	130,410	1,062,821	10,473	9,025	63,402	15,958	264,267	1,411	-	1,557,767
Finance leased	57,532	221,762	23,615	13,266	40	1,705	168,528	729	-	487,177
On-Statement of Financial Position PFI contracts	301,127	10,910,892	51,809	2,619	24,562	903	120,650	-	-	11,412,562
PFI residual interests	-	1,517	1,339	-	-	-	-	-	-	2,856
Net book value at 31 March 2015	**7,441,530**	**36,161,269**	**370,147**	**1,255,236**	**1,738,040**	**234,187**	**2,911,218**	**156,956**	**705,307**	**50,973,890**

Analysis of property, plant and equipment

Of the total:	Land £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Information Technology £'000	Payments on Account & Assets Under Construction £'000	Furniture & Fittings £'000	Plant & Machinery £'000	Transport Equipment £'000	Stockpiled Goods £'000	Total £'000
Core Dept & Agencies	112,176	209,521	(0)	32,839	38,287	6,806	68,977	-	705,307	1,173,913
Other designated bodies	7,329,354	35,951,748	370,147	1,222,397	1,699,753	227,381	2,842,241	156,956	-	49,799,977
Net book value at 31 March 2015	**7,441,530**	**36,161,269**	**370,147**	**1,255,236**	**1,738,040**	**234,187**	**2,911,218**	**156,956**	**705,307**	**50,973,890**

7. 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 2015-16			
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2015	**4,875,015**	**156,159**	**126,339**	**5,157,513**
Prior period adjustments in underlying accounts	1,048	(31)	2,110	3,127
Additions	237,811	37,007	87,314	362,132
Donations	2,947	-	2,035	4,982
Impairments and reversals	(9,247)	(34)	(4,339)	(13,620)
Transfers	(5,190)	-	(135)	(5,325)
Reclassifications	174,087	(19,147)	(69,203)	85,737
Revaluation and indexation	28,610	116	43	28,769
Disposals[2]	(1,348,413)	(13,241)	(1,360)	(1,363,014)
Other movements[3]	(252,608)	-	-	(252,608)
At 31 March 2016	**3,704,060**	**160,829**	**142,804**	**4,007,693**
Amortisation				
At 1 April 2015	**3,470,870**	**62,544**	**13,718**	**3,547,132**
Prior period adjustments in underlying accounts	373	(31)	(46)	296
Charged in year	691,980	16,887	4,063	712,930
Impairments and reversals	(565)	503	113	51
Transfers	(3,697)	-	(135)	(3,832)
Reclassifications	(5,008)	1,764	18	(3,226)
Revaluation and indexation	23,214	(10)	14	23,218
Disposals[2]	(1,345,651)	(11,792)	(61)	(1,357,504)
Other movements[3]	(312,686)	-	-	(312,686)
At 31 March 2016	**2,518,830**	**69,865**	**17,684**	**2,606,379**
Net Book Value at 31 March 2016	**1,185,230**	**90,964**	**125,120**	**1,401,314**
Net book value at March 2015	1,404,145	93,615	112,621	1,610,381

Analysis of intangible assets				
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Dept & Agencies	471,603	1,715	5,080	478,398
Other designated bodies	713,627	89,249	120,040	922,916
Net Book Value at 31 March 2016	**1,185,230**	**90,964**	**125,120**	**1,401,314**

1. Core Department and agencies intangible assets principally comprise assets related to Informatics programmes held by the Core Department. Note 1.11 contains further information on Informatics programmes.
2. In 2015-16, £1,092.8 million of nil net book value assets were disposed of at the end of the Informatics Local Service Provider South and London contracts.
3. The 'Other Movements' lines show the effect of moving from accounting for informatics assets using Modified Historic Cost Accounting to applying IFRS in full, and the effect of correcting historic errors in the informatics indexation model.

	Departmental Group 2014-15			
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2014	**4,900,872**	**108,967**	**127,158**	**5,136,997**
Prior period adjustments in underlying accounts	6,732	(5,100)	1,148	2,780
Additions	280,553	67,526	96,071	444,150
Donations	1,929	-	1,448	3,377
Impairments and reversals	(20,709)	(237)	(19,857)	(40,803)
Transfers	-	-	-	-
Reclassifications	156,136	(5,436)	(78,582)	72,118
Revaluation and indexation	152,207	154	21	152,382
Disposals	(602,705)	(9,715)	(1,068)	(613,488)
Other movements	-	-	-	-
At 31 March 2015	**4,875,015**	**156,159**	**126,339**	**5,157,513**
Amortisation				
At 1 April 2014	**3,159,093**	**49,428**	**30,936**	**3,239,457**
Prior period adjustments in underlying accounts	2,451	(5,100)	(524)	(3,173)
Charged in year	783,760	14,855	3,749	802,364
Impairments and reversals	(3,581)	4,749	(18,519)	(17,351)
Transfers	-	-	-	-
Reclassifications	2,170	6,581	(1,077)	7,674
Revaluation and indexation	126,876	104	4	126,984
Disposals	(599,899)	(8,073)	(851)	(608,823)
Other movements	-	-	-	-
At 31 March 2015	**3,470,870**	**62,544**	**13,718**	**3,547,132**
Net Book Value at 31 March 2015	**1,404,145**	**93,615**	**112,621**	**1,610,381**
Net Book Value at 31 March 2014	1,741,779	59,539	96,222	1,897,540

Analysis of intangible assets				
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Dept & Agencies	827,005	12,464	5,466	844,935
Other designated bodies	577,140	81,151	107,155	765,446
Net Book Value at 31 March 2015	**1,404,145**	**93,615**	**112,621**	**1,610,381**

The ranges of estimated useful lives are currently:

- Software licences and Internally Developed Software: 1 - 20 years
- Development expenditure: 1 - 99 years
- Other (licences and trademarks, patents, purchased software etc): 1 - 10 years

The Department revalues intangible non-current assets associated with DH Informatics programmes 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 2016.

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.

8. Impairments

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Impairments charged to Consolidated Statement of Comprehensive Net Expenditure				
Property Plant and Equipment impairments	104,713	1,039,948	75,825	909,879
Intangible asset impairments	-	13,362	15,013	23,445
Financial asset impairments	462	6,305	(83)	(12,860)
Non Current Assets Held for Sale impairments	40	3,674	1,826	23,480
Total impairments charged to Consolidated Statement of Comprehensive Net Expenditure	**105,215**	**1,063,289**	**92,581**	**943,944**
Impairments charged to Revaluation Reserve				
Property Plant and Equipment impairments	1,273	1,118,585	875	702,825
Intangible asset impairments	-	309	-	7
Financial asset impairments	92	92	-	-
Total impairments charged to Revaluation Reserve	**1,365**	**1,118,986**	**875**	**702,832**
Total impairments charged in year	**106,580**	**2,182,275**	**93,456**	**1,646,776**

9. Commitments

9.1 Capital Commitments

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.

A significant 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). As at 31 March 2016 the DH Informatics programmes had capital commitments amounting to £21.3 million (2014-15: £96.3 million).

Of the Departmental Group's capital commitments, £90.8 million, £749.9 million, £983.0 million and £15.3 million are within the accounts of Public Health England, NHS Trusts and NHS Foundation Trusts and arm's length bodies respectively.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	161,552	1,855,257	16,848	1,313,449
Intangible non-current assets	46,495	114,321	140,234	192,956
	208,047	**1,969,578**	**157,082**	**1,506,405**

9.2 Commitments under leases

9.2.1 Operating lease payments

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Land:				
Not later than 1 year	-	5,110	-	4,806
Later than 1 year and not later than 5 years	-	11,453	-	10,447
Later than 5 years	-	16,713	-	17,946
	-	**33,276**	**-**	**33,199**
Buildings:				
Not later than 1 year	17,425	334,112	20,387	463,067
Later than 1 year and not later than 5 years	21,308	903,258	35,255	873,882
Later than 5 years	1,350	1,039,260	3,158	1,128,660
	40,083	**2,276,630**	**58,800**	**2,465,609**
Other:				
Not later than 1 year	94	186,789	291	185,719
Later than 1 year and not later than 5 years	110	302,290	229	280,047
Later than 5 years	-	36,440	-	20,302
	204	**525,519**	**520**	**486,068**

1. Operating lease commitments between bodies with the Departmental Group are eliminated upon consolidation.

9.2.2 Operating Lease receipts

Total future minimum lease receipts under operating leases are given in the table below for each of the following periods.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Land:				
Not later than 1 year	-	2,117	-	2,197
Later than 1 year and not later than 5 years	-	8,149	-	8,317
Later than 5 years	-	127,034	-	135,170
	-	**137,300**	**-**	**145,684**
Buildings:				
Not later than 1 year	17,662	75,794	8,967	63,827
Later than 1 year and not later than 5 years	41,327	250,087	14,203	192,950
Later than 5 years	42,782	604,193	545	509,217
	101,771	**930,074**	**23,715**	**765,994**
Other:				
Not later than 1 year	-	38,675	-	42,892
Later than 1 year and not later than 5 years	-	46,323	-	86,115
Later than 5 years	-	102,400	-	99,952
	-	**187,398**	**-**	**228,959**

1. Future minimum lease receipts under operating leases between bodies with the Departmental Group are eliminated upon consolidation.

9.2.3 Finance lease payments

Total future minimum lease payments under finance leases are given in the table below for each of the following periods.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Obligations under finance leases for the following periods comprise:				
Land:				
Not later than 1 year	-	289	-	288
Later than 1 year and not later than 5 years	-	1,150	-	1,150
Later than 5 years	-	3,935	-	4,224
	-	**5,374**	**-**	**5,662**
Less interest element	-	(3,394)	-	(3,615)
Present Value of obligations	**-**	**1,980**	**-**	**2,047**
Buildings:				
Not later than 1 year	-	50,931	-	40,277
Later than 1 year and not later than 5 years	-	162,061	-	143,528
Later than 5 years	-	538,562	-	481,009
	-	**751,554**	**-**	**664,814**
Less interest element	-	(349,006)	-	(332,473)
Present Value of obligations	**-**	**402,548**	**-**	**332,341**
Other:				
Not later than 1 year	4,557	45,456	4,587	48,287
Later than 1 year and not later than 5 years	2,451	96,519	5,104	92,401
Later than 5 years	-	31,219	-	35,537
	7,008	**173,194**	**9,691**	**176,225**
Less interest element	(643)	(27,182)	(1,289)	(27,212)
Present Value of obligations	**6,365**	**146,012**	**8,402**	**149,013**

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Present Value of obligations under finance leases for the following periods comprise:				
Land:				
Not later than 1 year	-	76	-	68
Later than 1 year and not later than 5 years	-	406	-	361
Later than 5 years	-	1,498	-	1,618
Total Present Value of obligations	**-**	**1,980**	**-**	**2,047**
Buildings:				
Not later than 1 year	-	24,934	-	16,650
Later than 1 year and not later than 5 years	-	66,744	-	56,441
Later than 5 years	-	310,870	-	259,250
Total Present Value of obligations	**-**	**402,548**	**-**	**332,341**
Other:				
Not later than 1 year	4,111	38,517	3,952	41,716
Later than 1 year and not later than 5 years	2,254	80,168	4,450	75,539
Later than 5 years	-	27,327	-	31,758
Total Present Value of obligations	**6,365**	**146,012**	**8,402**	**149,013**

1. Finance lease commitments between bodies with the Departmental Group are eliminated upon consolidation.

9.2.4 Finance lease receivables

Total future minimum lease payments receivable under finance leases are given in the table below for each of the following periods.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Gross investments in leases:				
Not later than 1 year	-	1,331	-	1,278
Later than 1 year and not later than 5 years	-	3,806	-	3,372
Later than 5 years	-	18,859	-	17,083
Less future finance income	-	(10,758)	-	(9,162)
Present Value of minimum lease payments	**-**	**13,238**	**-**	**12,571**
Less cumulative provision for uncollectable payments:	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**13,238**	**-**	**12,571**
Present Value of minimum lease payments:				
Not later than 1 year	-	683	-	685
Later than 1 year and not later than 5 years	-	1,347	-	1,106
Later than 5 years	-	11,208	-	10,780
Total Present Value of minimum lease payments	**-**	**13,238**	**-**	**12,571**
Less cumulative provision for uncollectable payments:	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**13,238**	**-**	**12,571**
included in:				
Current finance lease receivables	-	694	-	685
Non-current finance lease receivables	-	12,544	-	11,886
Sub total	**-**	**13,238**	**-**	**12,571**

1. Future minimum lease receipts under finance leases between bodies with the Departmental Group are eliminated upon consolidation.

9.3 Commitments under PFI and LIFT contracts

PFI contracts are held by NHS Property Services Ltd, NHS Trusts and NHS Foundation Trusts. LIFT contracts are held by Community Health Partnerships Ltd and NHS Trusts. 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.

9.3.1 NHS LIFT schemes deemed to be off-Statement of Financial Position

In this financial year, Community Health Partnerships Ltd reported one off-Statement of Financial Position LIFT scheme with an estimated capital value of £0.9 million (2014-15: one scheme, £0.9 million). The assets which make up this capital value were not assets of Community Health Partnerships Ltd.

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Obligations on off-Statement of Financial Position LIFT schemes for the following periods comprise:				
Not later than 1 year	-	74	-	72
Later than 1 year and not later than 5 years	-	314	-	306
Later than 5 years	-	4,382	-	4,463
	-	**4,770**	**-**	**4,841**

9.3.2 NHS LIFT schemes deemed to be on-Statement of Financial Position

Community Health Partnerships Ltd

In this financial year Community Health Partnerships Ltd reported 295 on-Statement of Financial Position LIFT schemes. (2014-15: 294). 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 £47.5 million (2014-15: £46.8 million).

NHS Trusts & NHS Foundation Trusts

In this financial year, 4 NHS Trusts (NHST), 2 NHS Foundation Trusts (NHSFT) (2014-15: 3 NHSTs, 2 NHSFTs), 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 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 NHST/NHSFT.

Total obligations for the on-Statement of Financial Position NHS LIFT Schemes due:

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Total obligations under on-Statement of Financial Position LIFT schemes for the following periods comprise:				
Not later than 1 year	-	167,772	-	166,850
Later than 1 year and not later than 5 years	-	649,030	-	644,470
Later than 5 years	-	3,017,678	-	3,108,931
	-	**3,834,480**	**-**	**3,920,251**
Less interest element	-	(1,974,920)	-	(2,104,710)
Present Value of obligations	**-**	**1,859,560**	**-**	**1,815,541**

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Present Value of obligations under on-Statement of Financial Position LIFT schemes for the following periods comprise:				
Not later than 1 year	-	37,005	-	34,684
Later than 1 year and not later than 5 years	-	149,611	-	137,945
Later than 5 years	-	1,672,944	-	1,642,912
Total Present Value of obligations	**-**	**1,859,560**	**-**	**1,815,541**

9.3.3 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 £49.6 million (2014-15: £48.3 million).

Community Health Partnerships Ltd, NHS Trusts and NHS Foundation Trusts with NHS LIFT contracts are committed to the following total charges:

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Not later than 1 year	-	51,176	-	49,121
Later than 1 year and not later than 5 years	-	220,349	-	211,536
Later than 5 years	-	891,922	-	932,107
	-	**1,163,447**	-	**1,192,764**

9.3.4 PFI Schemes deemed to be off-Statement of Financial Position

NHS Trusts & NHS Foundation Trusts

In this financial year 2 NHS Trusts and 5 NHS Foundation Trusts reported off-Statement of Financial Position PFI schemes (2014-15: 1 NHST, 6 NHSFTs).

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Obligations on off-Statement of Financial Position PFI schemes for the following periods comprise:				
Not later than 1 year	-	1,133	-	7,289
Later than 1 year and not later than 5 years	-	4,696	-	5,192
Later than 5 years	-	7,673	-	9,501
	-	**13,502**	-	**21,982**

9.3.5 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 (2014-15: 26 schemes). 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 £28.5 million (2014-15: £28.2 million).

NHS Trusts

In this financial year, 43 NHS Trusts reported on-Statement of Financial Position PFI Schemes (2014-15: 48 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 £410.1 million. (2014-15: £449.7 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 £460.5 million. (2014-15: £403.7 million).

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	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	-	857,311	-	852,259
Later than 1 year and not later than 5 years	-	3,368,870	-	3,324,738
Later than 5 years	-	15,373,699	-	15,918,115
	-	**19,599,880**	-	**20,095,112**
Less interest element	-	(9,710,197)	-	(10,028,635)
Present Value of obligations	-	**9,889,683**	-	**10,066,477**

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	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	-	258,233	-	299,235
Later than 1 year and not later than 5 years	-	1,125,838	-	1,221,672
Later than 5 years	-	8,505,612	-	8,545,570
Total Present Value of obligations	-	**9,889,683**	-	**10,066,477**

9.3.6 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS PFI contracts

The total amount charged in the Consolidated 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 £899.1 million. (2014-15: £881.6 million).

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Not later than 1 year	-	892,510	-	918,563
Later than 1 year and not later than 5 years	-	3,711,135	-	3,791,874
Later than 5 years	-	20,826,482	-	22,881,442
	-	**25,430,127**	-	**27,591,879**

9.4 Other Financial Commitments

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Not later than 1 year	2,173,268	2,576,761	2,320,575	2,636,753
Later than 1 year and not later than 5 years	1,056,188	1,845,033	1,610,007	1,875,998
Later than 5 years	5,580	378,805	30,043	101,849
	3,235,036	**4,800,599**	**3,960,625**	**4,614,600**

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.

In this financial year, the Department has committed expenditure of £1,570.5 million (2014-15: £1,826.8 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, public health and social care, so leading to better health outcomes, and also promoting economic growth.

Additionally, the Department had entered into various contracts in respect of Informatics programmes which, if delivered according to the terms of those contracts, would result in financial commitments of £195.7 million (2014-15: £460.8 million) over the next 4 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.

Of the Departmental Group's other financial commitments, £1,051.6 million, £81.8 million, £381.9 million and £587.3 million are within the accounts of NHS England Group, NHS Trusts, NHS Foundation Trusts and Public Health England respectively. More information on the Other Financial Commitments of Group bodies is available in the statutory accounts of the underlying bodies.

10. 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.

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.

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. 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.
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 and NHS Foundation Trusts borrow from government for capital expenditure and working capital requirements for the normal course of business, subject to affordability. These can take the form of either term loans or maturity loans. The borrowings are for 1 – 25 years for capital borrowings and 1 – 7 years for working capital borrowings. Interest is charged at the National Loans rate prevailing on the date of signing the loan agreement, and the rate is fixed for the life of the loan. NHS Trusts and NHS Foundation Trusts therefore have low interest rate fluctuations. NHS Foundation Trusts have the power to enter into loans and working capital facilities with commercial lenders. NHS Foundation Trusts are required to maintain their borrowing within a limit determined by Monitor.

Credit risk

The vast majority of the Departmental Group's income is generated from public sector bodies and as such is exposed to low credit risk.

From a Core Department perspective, 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. 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.

11. Financial Assets – Investments

	2015-16 £'000								2015-16 £'000			
	Core Dept & Agencies								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 2015	**11,255,039**	**564,321**	**14,352,902**	**2,111,606**	**1,328**	**618,983**	**615,409**	**29,519,588**	**1,328**	**781,564**	**264,002**	**1,046,894**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	-	1	1
Issued	291,220	2,139,870	166,218	1,637,403	-	120,717	69,001	4,424,429	-	60,995	50,937	111,932
Disposals	-	-	-	-	-	-	-	-	-	-	(6,197)	(6,197)
Repaid	(129,254)	(743,966)	(103,355)	(437,147)	-	(492)	-	(1,414,214)	-	(121,124)	(1,047)	(122,171)
Transfers to and from current receivables	-	(67,023)	-	(186,841)	-	(135,741)	-	(389,605)	-	(35,741)	-	(35,741)
Written off	-	-	(346)	-	-	(400)	-	(746)	-	(400)	-	(400)
Revaluation	-	-	-	-	-	-	92	92	-	-	92	92
Changes in fair value through CSCNE	-	-	-	-	-	-	-	-	-	-	879	879
Impairments and reversals	-	-	-	-	-	(195)	(362)	(557)	-	(2,174)	(4,226)	(6,400)
Reclassifications	(242,694)	(3,599)	242,694	3,599	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	(52,559)	-	52,559	-	-	-	-	-	-	-	6,154	6,154
Balance at 31 March 2016	**11,121,752**	**1,889,603**	**14,710,672**	**3,128,620**	**1,328**	**602,872**	**684,140**	**32,138,987**	**1,328**	**683,120**	**310,595**	**995,043**

Investments held by Core Dept & Agencies	32,138,987
Less elimination of intra-group investments	(31,392,543)
Investments held by other designated bodies	248,599
Total	**995,043**

1. 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.

2. 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 note.
3. The PDC Other Movements line records the net transfer of PDC from the NHS Trust sector to the NHS Foundation Trust sector as a result of mergers and reconfigurations during the year. Where a body is dissolved, any PDC held by an NHS Trust or NHS Foundation Trust in excess of the value of the net assets transferred is written off by means of a Treasury Minute.

	2014-15 £'000								2014-15 £'000			
	Core Dept & Agencies								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 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**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	-	-	-
Issued	1,738,331	188,473	656,723	754,253	-	217,038	98,708	3,653,526	-	28,138	25,696	53,834
Disposals	-	-	-	-	-	-	-	-	-	-	(2,839)	(2,839)
Repaid	(564,199)	(21,039)	(208,466)	(11,463)	-	(418)	-	(805,585)	-	(190,418)	(1,112)	(191,530)
Transfers to and from current receivables	-	(73,999)	-	(156,331)	-	(231,448)	-	(461,778)	-	(42,548)	-	(42,548)
Written off	(454,245)	-	(153,030)	-	-	-	-	(607,275)	-	-	-	-
Revaluation	-	-	-	-	-	-	145,606	145,606	-	-	48,647	48,647
Changes in fair value through CSCNE	-	-	-	-	-	-	-	-	-	-	1,142	1,142
Impairments and reversals	-	-	-	-	-	83	-	83	-	12,917	(57)	12,860
Reclassifications	(520,215)	(13,088)	520,215	13,088	-	-	(3,300)	(3,300)	-	2,460	(5,760)	(3,300)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	(36,904)	-	36,904	-	-	-	-	-	-	-	5,166	5,166
Balance at 1 March 2015	**11,255,039**	**564,321**	**14,352,902**	**2,111,606**	**1,328**	**618,983**	**615,409**	**29,519,588**	**1,328**	**781,564**	**264,002**	**1,046,894**

Investments held by Core Dept & Agencies	29,519,588
Less elimination of intra-group investments	(28,777,264)
Investments held by other designated bodies	304,570
Total	**1,046,894**

The Department's Share Capital investments are measured at fair value. Where the difference between fair value and depreciated historic cost is insignificant, the Department may use depreciated historic cost as a proxy, for example the valuation of MHRA.

The Department reviews the values of its financial investments each year with independent valuations carried out at intervals of no more than three years. The Department's investments in Naga UK Topco Ltd, NHS Shared Business Services, NHS Professionals and Community Health Partnerships Ltd were all subject to independent valuations in 2014-15. The holding values in the 2015-16 accounts were subject to internal review by assessing changes to the factors underpinning the prior year independent valuations and were found to remain appropriate.

Community Health Partnerships Ltd, NHS Property Services Ltd and Genomics England Ltd are consolidated into the Departmental accounts. Therefore investments held by the Core Department in these companies are eliminated from the Departmental Group figures.

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.

During the year loans of £100.0 million were issued by the Department to NHS Property Services Ltd and became payable within one year and have therefore been transferred to receivables. A loan of £9.0 million was also issued to Naga UK Bidco Ltd.

During 2015-16, the Department increased its shareholding in Genomics England Ltd by £20.0 million and issued £28.5 million of share capital to NHS Property Services Ltd.

The £0.3 million NHS Foundation Trust PDC write-off is detailed in the Losses and Special Payments section of the Accountability Report.

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.

Investments held by other NHS bodies in 2015-16

The Departmental Group figure for loans to other bodies at 31 March 2016 contains a £90.0 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. The primary exception is the Department's new revolving working capital loan facilities under which the full obligation for providers to repay the loans falls due at the end of the loan term. National Loan fund rates of interest (as published by the UK Debt Management Office) are applied.

PDC is held at historic value less impairments. Loans are held at amortised cost using the effective interest rate method, less impairments. 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.

In March 2015 the Department introduced a new range of interest bearing debt options for interim support to trusts in financial difficulty. These debt options have replaced revenue Public Dividend Capital (PDC) which was seen as a form of free non-repayable cash. This move should incentivise the development and implementation of sustainable recovery plans to a point where existing debt can be serviced. Conditions are also attached requiring trust participation in central savings initiatives, e.g. surplus land disposal and caps on agency spend.

In 2014-15, around 65% of all interim support was issued as revenue PDC whereas in 2015-16 this level fell significantly leaving only a few exceptions. PDC will still be issued as financing for central strategic capital, and potentially as planned support where trusts have a robust recovery plan in place.

The repayments of NHS provider loans shown in this note represent repayments of non-current amounts. This reflects the nature of the Department's new revolving working capital loan facilities under which the full obligation for providers to repay the loans falls due at the end of the loan term. As a result there is no annual transfer to receivables of amounts expected within the next 12 months, and any repayments received before the end of the loan term are classed as non-current repayments.

12. Inventories and work in progress

	Departmental Group 2015-16					
	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	**135,005**	**-**	**316,373**	**554,415**	**47,577**	**1,053,370**
Prior period adjustments in underlying accounts	-	-	-	(1)	(1)	(2)
Additions	418,017	-	5,568,890	3,158,236	232,004	9,377,147
Consumed/Disposed of	(364,831)	(1,453)	(5,554,835)	(3,112,847)	(226,688)	(9,260,654)
Written down charged to CSCNE	(13,034)	-	(7,090)	(2,494)	(159)	(22,777)
Transfer (to) / from non-current assets	-	1,453	-	-	280	1,733
Transfers	-	-	(1,687)	75,098	-	73,411
Reclassification	-	-	-	-	-	-
Other	-	-	-	(45)	-	(45)
Balance at 31 March 2016	**175,157**	**-**	**321,651**	**672,362**	**53,013**	**1,222,183**

Analysis of Inventories

Of the total:	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Dept & Agencies	175,157	-	-	4,122	-	179,279
Other designated bodies	-	-	321,651	668,240	53,013	1,042,904
	175,157	**-**	**321,651**	**672,362**	**53,013**	**1,222,183**

	Departmental Group 2014-15					
	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**123,444**	**-**	**284,088**	**524,164**	**50,536**	**982,232**
Prior period adjustments in underlying accounts	-	-	849	(49)	75	875
Additions	339,802	-	4,759,085	3,042,639	175,642	8,317,168
Consumed/Disposed of	(318,156)	(12)	(4,721,291)	(3,007,068)	(177,776)	(8,224,303)
Written down charged to CSCNE	(10,084)	-	(6,376)	(1,301)	(214)	(17,975)
Transfer (to) / from non-current assets	-	12	-	-	428	440
Transfers	-	-	-	-	-	-
Reclassification	-	-	18	175	(193)	-
Other	(1)	-	-	(4,145)	(921)	(5,067)
Balance at 31 March 2015	**135,005**	**-**	**316,373**	**554,415**	**47,577**	**1,053,370**

Analysis of Inventories

Of the total:	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Dept & Agencies	135,005	-	1,687	6,642	-	143,334
Other designated bodies	-	-	314,686	547,773	47,577	910,036
	135,005	**-**	**316,373**	**554,415**	**47,577**	**1,053,370**

1. During the year NHS Business Services Authority signed an amendment to the NHS Supply Chain Consumables contract. The amendment extended the length of the contract and changed the terms of the contract and the risks/rewards for each party. This gave NHS Business Services Authority control of NHS Supply Chain Consumables. The financial position and performance of NHS Supply Chain Consumables has therefore been consolidated into the Departmental Group account. The result of this is that a financial asset has been replaced with inventory, receivables and payables.

13. Cash and cash equivalents

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Balance at 1 April 2015	**1,487,377**	**6,977,058**	**589,447**	**6,965,179**
Net change in cash	1,316,932	703,350	897,930	11,879
Balance at 1 31 March 2016	**2,804,309**	**7,680,408**	**1,487,377**	**6,977,058**
The following balances at 31 March were held at:				
Government Banking Service	2,803,635	6,689,983	1,484,335	6,054,219
Commercial banks and cash in hand	674	351,418	3,042	247,219
Short term investments	-	639,007	-	675,620
Balance at 31 March 2016	**2,804,309**	**7,680,408**	**1,487,377**	**6,977,058**

14. Trade Receivables and other current assets

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Amounts falling due within one year:				
Trade receivables[1]	36,404	458,631	69,805	308,325
Deposits and advances	-	2,443	-	2,259
Capital receivables	-	43,321	4,987	51,720
Interest receivable	103	7,000	362	6,881
Other receivables[1]	168,408	1,347,302	117,309	1,248,495
Trade and other receivables	**204,915**	**1,858,697**	**192,463**	**1,617,680**
Pension prepayments maturing in one year	-	-	-	-
Consolidated Fund Extra Receipts receivable	-	-	-	-
Other prepayments and accrued income	380,396	1,522,771	466,387	1,505,631
Current part of PFI and other service concession arrangements prepayments	-	116,378	-	142,613
Other current assets	-	5,598	-	3,518
Other current assets	**380,396**	**1,644,747**	**466,387**	**1,651,762**
Current part of loans repayable transferred from investments	599,357	36,168	496,485	14,614
Other current financial assets	-	5,000	-	10,500
Other financial assets	**599,357**	**41,168**	**496,485**	**25,114**
Total current receivables	**1,184,668**	**3,544,612**	**1,155,335**	**3,294,556**
Amounts falling due after more than one year:				
Trade receivables	-	40,597	-	44,113
Deposits and advances	-	-	123	651
Capital receivables	-	10,359	1,882	26,814
Other receivables	134,374	274,198	116,488	252,571
Interest Receivable	-	-	-	606
Pension prepayments maturing after one year	-	-	-	-
Other Prepayments and accrued income	-	124,946	1,340	53,492
Non-current part of PFI and other service concession arrangements prepayments	-	171,469	-	191,611
Total non-current receivables	**134,374**	**621,569**	**119,833**	**569,858**
Total receivables at 31 March 2016	**1,319,042**	**4,166,181**	**1,275,168**	**3,864,414**

1. An adjustment has been made to Other receivables and Trade receivables to move the Provision for impairment of receivables from Other receivables line to Trade receivables. The adjustment has been made in the current year and. To maintain the comparability of the account, the prior year figures have also been adjusted. Prior to this adjustment the 2014-15 figures for Other receivables and Trade receivables were £708.6 million and £848.2 million respectively.
2. The £5.0 million (2014-15: £10.5 million) balance in Other Current Financial Asset represents deposits made by NHS Foundation Trusts with the National Loan Fund which have a maturity date longer than three months after the year end. Those with a maturity date of less than three months are considered liquid and are recorded as a Cash Equivalent.

15. Trade payables and other current liabilities

	2015-16 £'000		2014-15 £'000	
	Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Amounts falling due within one year:				
Trade payables	40,032	3,208,649	25,720	2,795,824
Capital payables	60,498	626,211	96,926	724,537
Other payables	19,676	1,270,576	39,983	1,218,855
Trade and other payables	**120,206**	**5,105,436**	**162,629**	**4,739,216**
Bank Overdraft	-	14,480	-	24,568
VAT	-	13,168	-	10,648
Other taxation and social security	2,355	935,391	2,665	849,067
Early retirement costs payable within one year	-	112	-	696
EEA Medical Costs Accrual	248,759	248,759	434,688	434,688
Other accruals	305,346	7,056,595	522,210	6,894,845
Deferred income	69,374	641,977	38,614	632,064
Current part of finance lease	4,111	63,527	3,952	58,435
Current part of imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	294,735	-	288,953
Amount issued from the Consolidated Fund for supply but not spent at year end	2,935,817	2,935,817	1,634,218	1,634,218
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Received	106	106	220	220
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Receivable	-	-	-	-
Other amount payable to the Consolidated Fund	-	-	-	-
Current loans payable by NHS Trusts and Foundation Trusts to entities outside the accounting boundary	-	12,215	-	9,393
Pension liabilities	-	99,487	-	65,961
Other current liabilities	-	12,265	-	80
Other liabilities	**3,565,868**	**12,328,634**	**2,636,567**	**10,903,836**
Total current payables	**3,686,074**	**17,434,070**	**2,799,196**	**15,643,052**
Amounts falling due after more than one year:				
Finance leases	2,254	487,013	4,450	424,968
Imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	11,439,414	-	11,469,210
Pension liabilities	-	230	-	355
Financial liabilities	**2,254**	**11,926,657**	**4,450**	**11,894,533**
Trade payables	-	6,638	-	6,572
EEA Medical Costs Accrual	150,484	150,484	65,835	65,835
Other accruals	-	11,898	4,000	10,352
Capital payables	-	4,303	8,645	12,525
Other payables	-	55,389	256	74,670
Deferred income	-	157,414	1,500	176,282
Non-current loans payable by NHS Trusts and Foundation Trusts to entities outside the accounting boundary	-	161,625	-	145,666
Other payables	**150,484**	**547,751**	**80,236**	**491,902**
Total non-current payables	**152,738**	**12,474,408**	**84,686**	**12,386,435**
Total payables	**3,838,812**	**29,908,478**	**2,883,882**	**28,029,487**

16. Provisions for liabilities and charges

	2015-16					2014-15				
	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 2015	**129,121**	**759,905**	**372,814**	**725,815**	**1,987,655**	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	1,500	1,500
Provided in the year	16,999	35,369	485,892	141,473	679,733	4,173	78,593	433,628	252,445	768,839
Provisions not required written back	(7,946)	(13,883)	-	(46,787)	(68,616)	(111)	(14,064)	(57,009)	(8,309)	(79,493)
Transfers	-	-	-	-	-	32	-	-	7,313	7,345
Provisions utilised in the year	(13,009)	(52,221)	(31,384)	(44,557)	(141,171)	(13,267)	(51,531)	(75,702)	(29,039)	(169,539)
Transfer to accruals	-	-	(164,123)	-	(164,123)	-	-	(324,308)	-	(324,308)
Borrowing costs (unwinding of discount)	1,521	11,828	(5,592)	11,353	19,110	2,356	(1,898)	(7,712)	6,373	(881)
Change in discount rate	(469)	120,857	437	292,100	412,925	3,852	4,929	(1,997)	(4,504)	2,280
Balance at 31 March 2016	**126,217**	**861,855**	**658,044**	**1,079,397**	**2,725,513**	**129,121**	**759,905**	**372,814**	**725,815**	**1,987,655**

	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	12,672	52,147	236,530	235,530	536,879	62,521	52,804	134,095	137,516	386,936
Non Current	113,545	809,708	421,514	843,867	2,188,634	66,600	707,101	238,719	588,299	1,600,719
Expected timing of cash flow										
Not later than 1 year	12,672	52,147	236,530	235,530	536,879	62,521	52,804	134,095	137,516	386,936
Later than 1 year, not later than 5 years	48,860	216,773	421,514	149,712	836,859	49,941	219,280	238,719	127,580	635,520
Later than 5 Years	64,685	592,935	-	694,155	1,351,775	16,659	487,821	-	460,719	965,199
Total	**126,217**	**861,855**	**658,044**	**1,079,397**	**2,725,513**	**129,121**	**759,905**	**372,814**	**725,815**	**1,987,655**

	2015-16						2014-15					
	Departmental Group						Departmental Group					
	Early departure costs £'000	Injury Benefits £'000	EEA medical costs £'000	Clinical Negligence £'000	Other £'000	Total £'000	Early departure costs £'000	Injury Benefits £'000	EEA medical costs £'000	Clinical Negligence £'000	Other £'000	Total £'000
Balance at 1 April 2015	**466,645**	**759,905**	**372,814**	**28,277,786**	**2,613,133**	**32,490,283**	**464,038**	**743,876**	**405,914**	**25,653,367**	**2,754,625**	**30,021,820**
Prior period adjustments in underlying accounts	1,186	-	-	-	534	1,720	561	-	-	1,841	8,373	10,775
Provided in the year	32,108	35,369	485,892	5,472,291	655,349	6,681,009	30,594	78,593	433,628	7,017,390	713,054	8,273,259
Provisions not required written back	(16,813)	(13,883)	-	(1,639,356)	(551,635)	(2,221,687)	(5,960)	(14,064)	(57,009)	(3,379,207)	(504,082)	(3,960,322)
Transfers	519	-	-	-	(519)	-	-	-	-	-	1	1
Provisions utilised in the year	(39,105)	(52,221)	(31,384)	(1,488,454)	(367,489)	(1,978,653)	(41,207)	(51,531)	(75,702)	(1,169,587)	(338,307)	(1,676,334)
Transfer to accruals	(3,120)	-	(164,123)	-	(11,415)	(178,658)	(3,665)	-	(324,308)	-	(20,784)	(348,757)
Borrowing costs (unwinding of discount)	5,975	11,828	(5,592)	46,923	2,140	61,274	8,451	(1,898)	(7,712)	29,364	11,563	39,768
Change in discount rate	(1,138)	120,857	437	25,412,972	352,861	25,885,989	13,833	4,929	(1,997)	124,618	(11,310)	130,073
Balance at 31 March 2016	**446,257**	**861,855**	**658,044**	**56,082,162**	**2,692,959**	**60,741,277**	**466,645**	**759,905**	**372,814**	**28,277,786**	**2,613,133**	**32,490,283**

	Early departure costs £'000	Injury Benefits £'000	EEA medical costs £'000	Clinical Negligence £'000	Other £'000	Total £'000	Early departure costs £'000	Injury Benefits £'000	EEA medical costs £'000	Clinical Negligence £'000	Other £'000	Total £'000
Current	41,447	52,147	236,530	1,760,913	1,114,396	3,205,433	92,034	52,804	134,095	1,550,443	1,036,489	2,865,865
Non Current	404,810	809,708	421,514	54,321,249	1,578,563	57,535,844	374,611	707,101	238,719	26,727,343	1,576,644	29,624,418
Expected timing of cash flow												
Not later than 1 year	41,447	52,147	236,530	1,760,913	1,114,396	3,205,433	92,034	52,804	134,095	1,550,443	1,036,489	2,865,865
Later than 1 year, not later than 5 years	157,615	216,773	421,514	10,440,059	559,198	11,795,159	171,505	219,280	238,719	8,396,712	745,126	9,771,342
Later than 5 Years	247,195	592,935	-	43,881,190	1,019,365	45,740,685	203,106	487,821	-	18,330,631	831,518	19,853,076
Total	**446,257**	**861,855**	**658,044**	**56,082,162**	**2,692,959**	**60,741,277**	**466,645**	**759,905**	**372,814**	**28,277,786**	**2,613,133**	**32,490,283**

Discount Rates

Note 1.20 Provisions provides information on the discount rates applied by the Department to expected future cashflows. The HM Treasury prescribed discount rate applied to long-term general provisions (with expected cashflows from 1st April 2026 onwards) has changed significantly during the year from positive 2.2% in 2014-15 to *negative 0.8%* at 31 March 2016. The change is due to HM Treasury having adopted a new methodology for calculating the discount rate. The old methodology was based on an average yield of long-date index-linked Gilts. The new methodology is based on the real yield on UK index-linked Gilts as determined by examining Bank of England data for the spot yield curve at 25 years to maturity with a comparison to the average of the redemption yields of the three longest dated index-linked Gilts.

HM Treasury's discount rate for long-term provisions is reviewed at the start of each Spending Review period. HM Treasury's discount rates for short-term provisions (with an expected cashflow within 0 to 5 years of the Statement of Financial Position date) and medium-term provisions (with an expected cashflow within 5 to 10 years of the Statement of Financial Position date) are reviewed annually.

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.

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 £27,804.4 million in 2015-16 from £28,277.8 milliion at 31 March 2015 to £56,082.2 million at 31 March 2016. £25,413.0 million of this increase related to a change in the HMT discount rate. These provisions are also reported in the accounts of NHSLA together with other provisions of £358.6 million. These represent the English element of the clinical negligence provision as shown in Whole of Government Accounts.

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 1.0%. 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 £10,551 million if the discount rate was reduced by 1.0%. If the discount rate were to be increased by 1.0%, the value of IBNR claims would reduce by £7,116 million.

Sensitivity to changes in the discount rate	Estimated IBNR provision £m	Change to original IBNR estimate £m	Change to original estimate %
1.0% decrease in the real discount rate	41,851	10,551	34.0%
Tiered real discount rate structure	31,300	0	0.0%
1.0% increase in the real discount rate	24,184	(7,116)	(23.0)%

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 1.0%, 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.

Clinical negligence claims which may succeed, but are less likely or cannot be reliably estimated, are accounted for as contingent liabilities. (See note 17)

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.

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 £2,693.0 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 £416.3 million, of which £408.7 million was accounted for by NHS England Group. Of the total, £323.7 million was expected to be paid within one year, £92.4 million paid between one and five years and the remaining amount of £0.2 million paid after five years.

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 £441.2 million of which £14.5 million is expected to be paid within one year, £59.6 million in one to five years and £367.1 million after five years.

The provision for future support of patients who contracted HIV from contaminated blood supplies totalled £182.8 million of which £7.3 million is expected to be paid within one year, £29.6 million in one to five years and £145.9 million after five years.

Other Miscellaneous provisions

The total of other miscellaneous provisions was £1,652.7 million. These relate to a range of issues, including: HGH (human growth hormone), restructuring, redundancy, onerous leases, lease dilapidations and litigation. Of the total, £768.9 million of payments were expected to be paid within one year, £377.6 million are expected to be paid within two to five years and £506.2 million are expected to be paid in more than 5 years.

16.1 Pensions

Movements in defined benefit obligation and fair value of plan assets

This pension disclosure includes single entity funded defined obligation schemes for Care Quality Commission, a number of NHS Foundation Trusts and NHS England. These are mainly in respect of staff that have transferred from Local Government Pension Schemes to the listed organisations and do not relate to the NHS or Civil Service Pension Schemes disclosed early in the account. Further details can be found in the accounts of these bodies.

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:

	2015-16 £'000	2014-15 £'000
Present value of the defined benefit obligation at 1 April 2015	**(485,443)**	**(422,488)**
Prior period adjustments in underlying accounts	(101,077)	-
Current Service Costs	(8,694)	(7,927)
Past Service Costs	(41)	-
Interest Costs	(16,237)	(18,071)
Settlements and curtailments	-	-
Contribution from scheme members	(2,769)	(2,404)
Remeasurement of the defined benefit obligation:		
Actuarial Gains and (Losses)	29,017	(46,527)
Benefits paid	14,169	11,974
Scheme transfers	-	-
Transfers to/from other bodies	-	-
Other	(7,631)	-
As at 31 March 2016	**(578,706)**	**(485,443)**
Plan assets at fair value at 1 April 2015	**396,435**	**359,993**
Prior period adjustments in underlying accounts	81,412	-
Interest income	13,431	15,491
Settlements	(2)	(2)
Adjustments by the employer	11,262	7,759
Contributions by the plan participants	2,769	2,404
Remeasurement of the defined benefit asset:		
Expected Return on Assets	6,398	892
Actuarial Gains and (Losses)	(14,361)	21,829
Changes in the effect of limiting defined benefit asset to the asset ceiling	-	-
Benefits paid	(14,169)	(11,974)
Scheme transfers	-	-
Transfers to/from other bodies	-	-
Other	1,786	43
As at 31 March 2016	**484,961**	**396,435**
Plan surplus/(deficit) at 31 March 2016	**(93,745)**	**(89,008)**

17. Contingent Assets and Liabilities disclosed under IAS 37

17.1 Contingent Assets

NHS Trusts have contingent assets of £1.2 million (2014-15: £1.0 million). Foundation Trusts have £22.9 million of contingent assets (2014-15: £2.1 million).

17.2 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 £26,525.5 million (2014-15: £14,126.6 million),

although £25,205.1 million (2014-15: £13,443.6 million) relating to the Clinical Negligence Scheme for Trusts (CNST) would be expected to be met by payments from NHS Trusts.

Other Contingent Liabilities

Within the NHS England Group account (which incorporates Clinical Commissioning Groups and the NHS England Group parent) at 31 March 2016, there were net contingent liabilities of £34.5 million (2014-15: £26.4 million). These were mainly in respect of continuing care liabilities which transferred from Primary Care Trusts (PCTs) on 1 April 2013.

Within NHS Trusts' accounts at 31 March 2016, there were net contingent liabilities of £27.8 million (2014-15: £33.4 million). These are mainly in respect of legal and litigation claims. Foundation Trusts have net contingent liabilities of £47.0 million (2014-15 £15.9 million).

Public Health England has contingent liabilities to the value of £40.0 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.

18. 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 21, 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 and certain limited companies) 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 2015-16.

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:

	Sub Note	Payables with related party 2015-16 £'000	Purchases from related party 2015-16 £'000	Receivables with related party 2015-16 £'000	Sales to related party 2015-16 £'000
London School of Economics [1]		-	1,063	-	-
London School of Hygiene and Tropical Medicine [2]		-	10,137	-	4
Cambridge University [3]		-	6,534	112	112
World Health Organisation [4]		-	-	-	1
Age UK [5]		3	449	-	-
Cruse Bereavement [6]		-	65	-	-

1. Catherine Bell has a pro bono appointment as Governor of the London School of Economics
2. Professor Chris Whitty is employed by the London School of Hygiene and Tropical Medicine
3. Professor Dame Sally Davies' Husband is an employee of Cambridge University
4. Professor Dame Sally Davies is a member of the World Health Organisation
5. Dr Dan Poulter's partner holds a position at Age UK (a registered charity)
6. Norman Lamb's wife holds a part time position at Cruse Bereavement

The footnotes above identify 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, member of the key management personnel or other related party has undertaken any material transactions with the Department during the year. Compensation paid to management, expense allowances and similar items paid in the normal course of business are disclosed in the notes to the accounts and in the Remuneration Report.

19. NHS Charities

Following the inclusion of NHS Charities (as defined by section 149 of the Charities Act 2011) as amended in the 2012 Designation Order, the Department consolidates NHS Charities (with the exception of those with full independent status) 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 £118.0 million in 2015-16 (£100.8 million in 2014-15).

During 2015-16, six NHS Charities with net assets totalling £1,024.8 million converted to independent status; a change analogous to the loss of control of a subsidiary (as described in IFRS 10).

The net assets of those charities have been derecognised and a corresponding loss recorded (this can be seen in the Resources expended by NHS charities line in the Consolidated Statement of Comprehensive Net Expenditure (CSCNE)).

From a budgetary perspective, HMT have confirmed that effective transfer of assets to a fully independent charity is treated as a capital grant in kind and is removed from resource budget with the expense scored to capital, the corresponding disposal of the same assets generates a capital credit, meaning the net impact on capital budgets is also nil.

19.1 Charitable Income and expenditure for the year ended 31 March 2016

	NHS Charities	
	2015-16	2014-15
	£'000	£'000
Total resources expended[1]	1,258,508	609,017
Total incoming resources	(227,517)	(342,346)
Net outgoing / (incoming) resources for the year ended 31 March 2016	**1,030,991**	**266,671**
Other Comprehensive Net Expenditure		
Net (gain) / loss on revaluation of charitable assets	8,621	(163,096)
Total Comprehensive Expenditure for the year ended 31 March 2016	**1,039,612**	**103,575**

1. Includes £1,024.8 million of expenditure representing the loss relating to the net assets transferred outside the Department's accounting boundary for the six charities that have gained independent status in the year (The Alder Hey Charity, The Birmingham Children's Hospital Charity, Great Ormond Street Hospital Children's Charity, Guy's and St Thomas Charity, Moorfield's Eye Charity and Royal Brompton Charity).

19.2 Summary Charitable Statement of Financial Position as at 31 March 2016

	2016	2015
	£'000	£'000
Non-current assets		
Charitable investments	832,335	1,766,943
Other charitable non-current assets	93,080	235,454
Total non-current assets	**925,415**	**2,002,397**
Current assets		
Charitable cash	285,598	293,375
Other charitable current assets	64,616	228,683
Total current assets	**350,214**	**522,058**
Total assets	**1,275,629**	**2,524,455**
Current charitable liabilities	(131,002)	(192,752)
Non-current assets plus/less net current assets/liabilities	**1,144,627**	**2,331,703**
Non-current charitable liabilities	(16,128)	(170,744)
Assets less liabilities	**1,128,499**	**2,160,959**
Total charitable reserves	**1,128,499**	**2,160,959**

19.3 Charitable Financial Assets - Investments

	NHS Charities	
	2016	2015
	£'000	£'000
Balance as at 1 April	**1,766,943**	**1,898,767**
Prior period adjustments in underlying accounts	(12,029)	21,855
Acquisitions	166,810	476,580
Disposals	(188,824)	(497,101)
Net gain/loss on revaluation	(15,692)	171,503
Impairment	(484)	(6)
Transfers[1]	(890,473)	(306,517)
Other movements	6,084	1,862
Balance as at 31 March	**832,335**	**1,766,943**

1. Includes £887.7 million relating to investments transferred outside the Department's accounting boundary for the six charities that have gained independent status in the year.

19.4 Other Charitable Non-Current Assets

	NHS Charities	
	2016	2015
	£'000	£'000
Balance as at 1 April	**235,454**	**281,087**
Prior period adjustments in underlying accounts	(562)	(42,241)
Acquisitions	2,623	7,059
Disposals	(1,102)	(2,675)
Net gain/loss on revaluation	7,071	9,312
Impairment	(877)	(986)
Transfers[1]	(148,592)	(14,554)
Other movements	(935)	(1,548)
Balance as at 31 March	**93,080**	**235,454**

1. Includes £148.6 million relating to Non-Current Assets transferred outside the Department's accounting boundary for the six charities that have gained independent status in the year.

20. Events after the Reporting Period

The Accounts were authorised for issue by the Accounting Officer on the date of the Audit Certificate of the Comptroller & Auditor General"

On 1 April 2016 five NHS charities with appointed trustees, and two NHS charities with corporate trustees, were subject to a change in their governance arrangements and became fully independent of the NHS Charities regime. As such, under the new arrangements, these seven charities will no longer be consolidated in the Departmental Group accounts from 2016-17. The unaudited net assets of these charities consolidated in the 2015-16 accounts totals £195,072,000.

From 1st April 2016, Monitor and the NHS Trust Development Authority (TDA) are working together under a joint Board and executive team operating as NHS Improvement. The legal status of Monitor and TDA, and their respective statutory responsibilities, remain in place. The change will mean that all NHS providers, whether they are foundation trusts or trusts, are under the oversight of one Board, overseeing teams working closely together.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

21. Entities within the Departmental boundary

Ministers had some degree of responsibility for the following bodies during the year 2015-16.

(a) Consolidated in the Department's Annual Report and Accounts	Website
Supply Financed Agencies	
Public Health England	
Other Bodies	
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: https://www.gov.uk/government/publications/nhs-foundation-trusts-consolidated-accounts-201415
Skipton Fund Limited	http://www.skiptonfund.org/home.php
NHS Charities[1]	
Community Health Partnerships Limited	http://www.communityhealthpartnerships.co.uk/home-page
The Nursing and Midwifery Council [2]	http://www.nmc.org.uk/
NHS Property Services Limited	http://www.property.nhs.uk/
Genomics England Limited	http://www.genomicsengland.co.uk/
Special Health Authorities	
NHS Business Services Authority	http://www.nhsbsa.nhs.uk/Index.aspx
NHS Litigation Authority	http://www.nhsla.com/Pages/Home.aspx
National Health Service Trust Development Authority	http://www.ntda.nhs.uk/
Executive Non-Departmental Public Bodies	
Human Fertilisation and Embryology Authority	http://www.hfea.gov.uk/index.html
Care Quality Commission	http://www.cqc.org.uk/
Independent Regulator of NHS Foundation Trusts	https://www.gov.uk/government/organisations/monitor
National Institute for Health and Care Excellence	https://www.nice.org.uk/
Professional Standards Authority for Health and Social Care	https://www.professionalstandards.org.uk/home
Human Tissue Authority	https://www.hta.gov.uk/
NHS England [3]	https://www.england.nhs.uk/
The Health and Social Care Information Centre	http://www.hscic.gov.uk/home
Health Research Authority	http://www.hra.nhs.uk/
Health Education England [4]	https://hee.nhs.uk/
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	
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	
(b) Non-Consolidated	Website
Trading Funds	
Medicines & Healthcare Products Regulatory Agency	http://info.mhra.gov.uk/
NHS Blood and Transplant	http://www.nhsbt.nhs.uk/
DH Equity Investments	
Naga UK Topco Ltd (20% holding)	
NHS Shared Business Services (50% holding)	https://www.sbs.nhs.uk/

1) NHS charities, as defined by section 149 of the Charities Act 2011, with the exception of those with full independent status which are not subject to consolidation

2) In 2015-16 the ONS classified the Nursing and Midwifery Council as public sector under the Department of Health. As a result it now falls within the Department's accounting boundary.

3) NHS Commissioning Board is known as NHS England.

4) Health Education England became an Executive Non-Departmental Public Body on 1 April 2015.

Annexes – Not subject to audit

Annex A – Regulatory Reporting – 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.

Core Table 1: Public Spending

£'000

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Plans	2017-18 Plans	2018-19 Plans	2019-20 Plans	2020-21 Plans
Original Resource DEL	84,207,717	90,156,640	97,075,200	100,285,421	101,591,758	103,948,229	106,495,326	110,554,300	114,730,499	117,310,015	120,375,724	123,049,224	125,849,000	129,772,000
Adjustments -														
Spending Review 2010 transfer to DCLG re - PSS (from 2011-12)	-1,782,416	-1,280,872	-1,363,966	-1,471,058	0	0	0	0	0	0	0	0	0	0
Machinery of Government transfer to DCLG - re Learning Disability and Health Reform Grant (from 2013-14)	-1,206,234	-1,253,164	-1,288,752	-1,345,000	-1,325,914	-1,378,364	0	0	0	0	0	0	0	0
Revised Resource DEL[1,2,3]	**81,219,067**	**87,622,604**	**94,422,482**	**97,469,363**	**100,265,844**	**102,569,865**	**106,495,326**	**110,554,300**	**114,730,499**	**117,310,015**	**120,375,724**	**123,049,224**	**125,849,000**	**129,772,000**
of which depreciation	*717,673*	*951,571*	*1,185,285*	*1,209,702*	*1,193,265*	*1,131,512*	*1,069,928*	*1,160,382*	*1,114,742*	*1,511,000*	*1,511,000*	*1,531,000*	*1,531,000*	*1,531,000*
Resource AME	**3,679,949**	**1,588,034**	**3,699,212**	**3,206,771**	**3,193,101**	**5,775,113**	**4,261,086**	**3,418,733**	**29,206,503**	**7,589,594**	**8,083,879**	**8,683,879**	**9,315,879**	**10,001,897**
of which depreciation	*548,759*	*386,765*	*2,499,236*	*1,000,777*	*716,384*	*1,145,927*	*1,133,780*	*956,669*	*964,956*	*2,065,640*	*2,065,640*	*2,065,640*	*2,065,640*	*2,065,640*
Total Resource (revised)	**84,899,016**	**89,210,638**	**98,121,694**	**100,676,134**	**103,458,945**	**108,344,978**	**110,756,412**	**113,973,033**	**143,937,002**	**124,899,609**	**128,459,603**	**131,733,103**	**135,164,879**	**139,773,897**
Capital DEL	3,966,103	4,368,533	5,182,275	4,158,605	3,771,268	3,782,882	4,348,909	3,950,694	3,631,849	4,812,000	4,823,000	4,825,000	4,825,000	4,810,000
Capital AME	37,142	13,831	6,441	7,876	0	0	-69,813	-4,938	9,021	15,000	15,000	15,000	15,000	15,000
Total Capital	**4,003,245**	**4,382,364**	**5,188,716**	**4,166,481**	**3,771,268**	**3,782,882**	**4,279,096**	**3,945,756**	**3,640,870**	**4,827,000**	**4,838,000**	**4,840,000**	**4,840,000**	**4,825,000**
Total departmental spending (revised)	**87,635,829**	**92,254,666**	**99,625,889**	**102,632,136**	**105,320,564**	**109,850,421**	**112,831,799**	**115,801,738**	**145,498,174**	**126,149,969**	**129,720,963**	**132,976,463**	**136,408,239**	**141,002,257**
Of which -														
Total DEL	*84,467,497*	*91,039,566*	*98,419,472*	*100,418,266*	*102,843,847*	*105,221,235*	*109,774,307*	*113,344,612*	*117,247,606*	*120,611,015*	*123,687,724*	*126,343,224*	*129,143,000*	*133,051,000*
Total AME	*3,168,332*	*1,215,100*	*1,206,417*	*2,213,870*	*2,476,717*	*4,629,186*	*3,057,493*	*2,457,126*	*28,250,568*	*5,538,954*	*6,033,239*	*6,633,239*	*7,265,239*	*7,951,257*

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 presentation is consistent with HM Treasury publications.

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.

Core Table 2: Administration Budgets

£'000

	2010-11 Baseline	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Plans	2017-18 Plans	2018-19 Plans	2019-20 Plans	2020-21 Plans
Total administration budget	5,425,184	3,540,726	3,670,052	3,121,751	2,872,450	2,553,806	3,021,000	2,931,000	2,856,000	2,767,000	2,767,000

1 The extended administration control began in 2010-11

2 The 2010-11 administration figure is as per the baseline used for the Spending Review

3 These figures include depreciation

Supporting narrative for the core tables can be found within the financial performance summary section.

Annex B – Other Departmental Information

Sustainability Data

414. The following tables outline the Department's in scope ALBs progress on Greenhouse Gas, Waste and Water Consumption. ALBs not included in these tables are, HTA, HFEA, NHSLA & HRA due to the de minimis exclusion. From 2016-17 the Department will also include NHSE and HEE within the Greening Government Reporting.

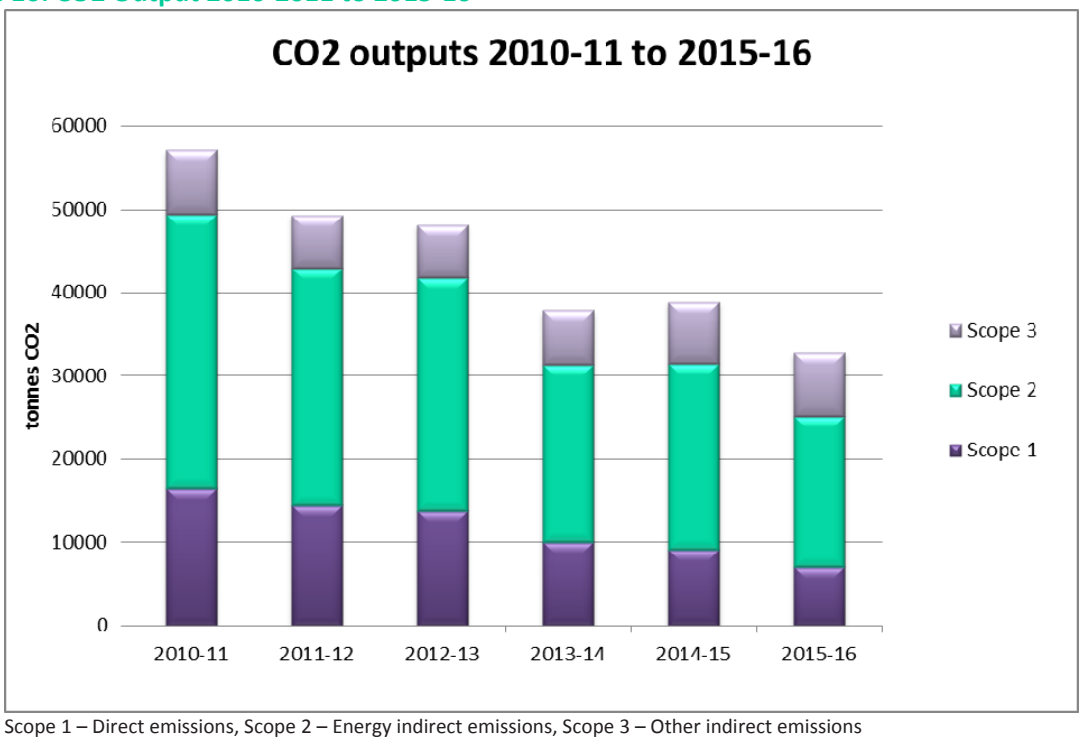
Greenhouse Gas Emissions Performance Commentary

Table 39: Greenhouse Gas Emissions Baseline 2010-11 to 2015-16

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non Financial Indicators (CO2 tonnes)						
Total Gross Emissions for Scope 1	16,500	14,387	13,802	9,997	9,146	7,072
Total Gross Emissions for Scope 2	32,919	28,500	27,981	21,342	22,283	18,089
Total Gross Emissions for Scope 3	7,662	6,400	6,317	6,514	7,377	7,578
Total Gross Emissions	**57,081**	**49,287**	**48,099**	**37,852**	**38,807**	**32,739**
Related Energy Consumption (mWh)						
Electricity renewable	14,164	15,219	10,606	32,503	31,873	26,798
Electricity non-renewable	55,527	48,924	50,219	15,404	13,211	12,340
Gas	75,343	56,872	64,645	43,804	39,620	33,969
Gas Oil	3,400	3,853	4,594	4,748	5,489	1,315
Total inc other	**149,018**	**126,283**	**131,328**	**97,370**	**90,985**	**75,265**
Financial Indicators (£k)						
Expenditure on energy	8,433	7,592	7,993	7,014	7,272	5,944
Carbon ofsetting costs	352	440	458	147	227	92
Expenditure on offical business travel	21,593	17,996	18,040	18,618	19,876	20,003

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.

Figure 16: CO2 Output 2010-2011 to 2015-16



Scope 1 – Direct emissions, Scope 2 – Energy indirect emissions, Scope 3 – Other indirect emissions

415. The results presented above show the Department has continued to reduce its carbon emissions in 2015-16. We continue to implement initiatives to reduce our carbon footprint, which have included the deployment of energy efficient IT, consolidation of estate, tighter building environment controls and improved Video Conference facilities.

Waste

Table 40: Waste – Financial and Non-Financial Indicators

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non Financial Indicators (tonnes)						
Total waste -	**4,022**	**2,841**	**4,337**	**2,679**	**2,484**	**2,184**
Landfill			573	473	585	355
Not to landfill			3764	2207	1899	1,829
Incinerated/energy from waste			259	328	316	258
Incinerated/energy not recovered			378	334	323	294
Financial Indicators (£k)						
Total disposal cost (minimum requirement)	**927**	**672**	**561**	**868**	**718**	**978**
Hazardous waste - total disposal cost	348	228	244	499	405	621
Non-hazardous waste - total disposal cost	578	445	561	369	313	357

1. Breakdown of waste data between landfill and non-landfill not collected for 2010-11 and 2011-12.
2. Hazardous waste costs increased due to failure of incinerator at PHE's Porton Down facility and associated hire costs of replacement

Figure 17: Waste and Recycling

416. Total waste figures for the Department have decreased again in 2015-16. The spike in 2012-13 was due to extensive refurbishment programmes taking place as part of the transition to the new Health and Social Care system. The proportion of waste recycled across the DH/ALB estate has improved further, with 84% of waste not to landfill, and 16% to landfill.

Water

Table 41: Water Consumption – Financial and Non-Financial Indicators

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non Financial Indicators (m3)						
Water Consumption -						
Office	69,051	68,077	73,132	63,067	59,826	65,733
Whole estate	254,719	239,426	297,384	235,336	236,742	179,218
m3 per FTE/office estate	7.6	7.5	7.6	6.8	5.5	6
Financial Indicators (£k)						
Water supply costs	338	302	347	364	345	277

417. As the table above indicates, the Departments water consumption has slightly increased during the year. The benchmark for water consumption is measured per person on a Full Time Equivalent basis. Our performance has however improved from the baseline of 7.9m³ per FTE in 2009-10, to 5.9m³ per FTE in 2015-16. This means the Department is in the good practice category. The Department is working with its facilities suppliers and other organisations on how to continue to reduce its water consumption to meet the best practice target of less than 4m³ per FTE.

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