Department of Health

Department of Health

Annual Report and Accounts

2014-15

(For the period ended 31 March 2015)

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

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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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Annual Report and Management Commentary

Foreword

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

The Department of Health helps people to live better for longer. We lead, shape and fund health and care in England, making sure people have the support, care and treatment they need, with the compassion, respect and dignity they deserve.

This report is intended to explain to Parliament and the public how the resources for which the Department is responsible have been used to fulfil our statutory functions. The various sections each have a specific purpose to reflect statutory duties as well as custom and practice, but we hope it is also accessible to the interested reader.

2014-15 continued to be challenging for the Department and for the NHS, with the health and care system facing a combination of financial and operational pressures alongside a renewed focus on maintaining quality and accessibility for patients and service users.

However, during this time we have ensured the health and care system is prepared for the future by focussing on the long-term sustainability of services and leadership across the system. This has included continuing our efforts to develop the role of the Department as steward of the health and care system, where we have ensured alignment and common purpose amongst all partner organisations; set objectives for the Department's Arm's Length Bodies and held them to account for delivery; and, ultimately, focussed the system on the needs of patients, service users and the public.

This report also summarises our key achievements over the last year, which include sustaining the continuity of NHS services, achieving overall financial performance and budgetary control in the face of increasing pressures, and planning for the future and the forthcoming spending review.

These achievements have been down to the passion, enthusiasm and commitment of staff in the Department and across the system. I would like to extend my personal thanks to all of them for their hard work over this last year.

Strategic Report

Introduction

Our Role and Purpose

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

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

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

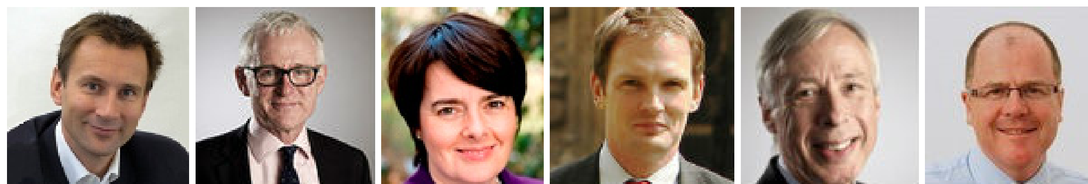
4. Most of the expertise in health and social care, and virtually all the mechanisms for its delivery, lie outside the core Department. The Department secures funds for health and care services which are then allocated to the most appropriate local level. The Department remains accountable for those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

5. The account of our year presented in this report explains how we have done this. It also describes how we have taken a global leadership role in tackling the issues that will have greatest impact in the future – such as dementia and anti-microbial resistance and how we are taking steps to maintain performance in important key services.

Who we are

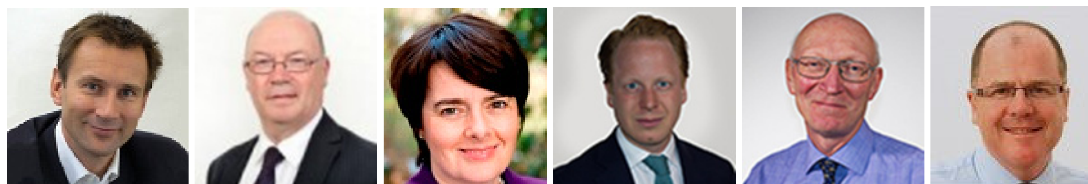
6. The Department of Health is a Department of State which leads health and social care in England and has a number of responsibilities which span the whole of the UK. We are led by a ministerial team and a staff of Civil Servants. Our ministers and senior staff are advised by four Non-Executive Board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

Our Ministers 2014 - 15



Rt Hon Jeremy Hunt MP Secretary of State for Health	Rt Hon Norman Lamb MP Minister of State for Care & Support	Jane Ellison MP Parliamentary Under Secretary of State for Public Health	Dr Daniel Poulter MP Parliamentary Under Secretary of State for Health	Rt Hon Earl Howe Parliamentary Under Secretary of State for Quality (Lords)	George Freeman MP Parliamentary Under Secretary of State for Life Sciences (joint with BIS)

Our Ministers from 7 May 2015



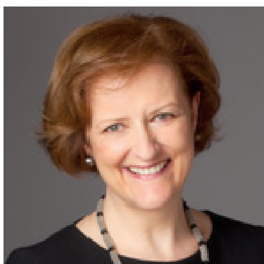
Rt Hon Jeremy Hunt MP Secretary of State for Health	Rt Hon Alistair Burt MP Minister of State for Community and Social Care	Jane Ellison MP Parliamentary Under Secretary of State for Public Health	Ben Gummer MP Parliamentary Under Secretary of State for Care Quality	David Prior Parliamentary Under Secretary of State for NHS Productivity (Lords)	George Freeman MP Parliamentary Under Secretary of State for Life Sciences (joint with BIS)

Our Non-Executive Board Members[1]

Gerry Murphy	Chris Pilling	Catherine Bell	Peter Sands

[1] Mike Wheeler's completed his term as a Non-Executive on 31st December 2014, with Gerry Murphy starting his on 1st August 2014.

Department of Health Executive Leadership Team



Dame Una O'Brien – Permanent Secretary

Overall leadership of the Department.

Sets priorities driving improvements and provides funding and accountability to reflect what people value most.

As the Department's Principal Accounting Officer, is answerable to Parliament for ensuring DH runs efficiently and spends its money appropriately.

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

Independent advisor to Secretary of State and the UK Government on all medical matters, and is also the Chief Scientific Advisor to the Department.

Supports the Government to ensure decisions on health and social care are based on the most up to date and reliable research evidence.

Enables research in the NHS to support economic growth

Richard Douglas - Director General Finance & NHS - Retired May 2015

Leads the development of NHS policy to support improved outcomes and financial sustainability.

Ensures delivery of NHS performance standards through sponsorship of NHS England, Monitor and the Trust Development Authority.

Allocates and oversees the management of resources voted by Parliament.

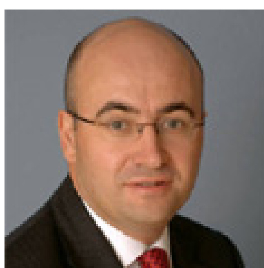
Improves the financial and commercial capability of the DH.

Felicity Harvey - Director General Public Health

Sets strategy, policy and outcomes for public health, sponsoring Public Health England and working with NHS England and ALBs to improve and protect the population's health.

Leads on international business, representing the Government overseas on health issues.

Provides professional leadership and advice on public health and community nursing. Lead for science and bioethics, including embryology and genetics.



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

Sets strategy, policy and outcomes for dementia, older people, people with disabilities, mental health, children and families, health inequalities, offender health, military health and social exclusion.

Oversees social care finance and investment, and equality and leads across government on carers. Builds effective partnerships with local government, voluntary and community sectors to improve health and care outcomes.

Charlie Massey - Director General Strategy and External Relations

Sets strategy policy and outcomes to support patients and public, to improve quality, regulation and safety of healthcare and leading policy on pay, pensions, education and training and leadership development for the NHS workforce.

Oversees the framework to improve engagement between us and the public, improving policy-making and outcomes.

Leads the implementation of our commitments set out in the 7Government's response to the Francis Inquiry.

Will Cavendish - Director General of Innovation, Growth and Technology (from June 2014)

Strengthens the leadership and capacity in the areas of innovation, growth and the use of technology, including digital, across the health and care system.

Leads the DH's relationship with the life sciences industries, through the Office for Life Sciences.

Secures the best possible health outcomes for the population from the use of medicines, medical technologies and pharmaceutical, dental and eye care services.

Provides sponsorship for HSCIC, NICE and MHRA, and manages the relationship with Healthcare UK

Tamara Finkelstein – Chief Operating Officer (from September 2014)

Leads the work to build the new Department capabilities – people, systems, processes and estates – to meet system-wide needs and Civil Service Reform.

Develops and implements excellent corporate governance, audit, assurance and sponsorship for DH and its ALBs.

David Williams – Director General Finance & NHS (from April 2015, replacing Richard Douglas)

Leads the development of NHS policy to support improved outcomes and financial sustainability.

Ensures delivery of NHS performance standards through sponsorship of NHS England, Monitor and the Trust Development Authority.

Allocates and oversees the management of resources voted by Parliament.

Improves the financial and commercial capability of the DH

How we are organised

7. The Department of Health is a government department led by Ministers and staffed by Civil Servants. The Department includes two Executive Agencies[2]; Public Health England (PHE) and the Medicines and Healthcare products Regulatory Agency (MHRA):

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

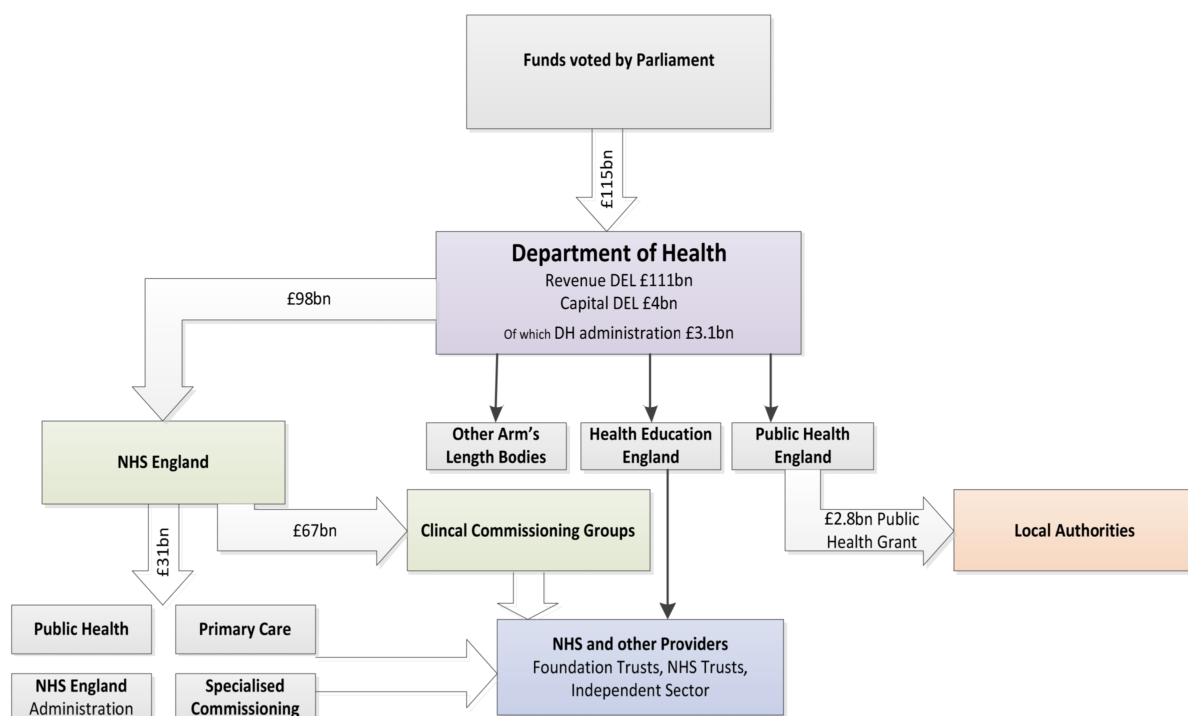
   - The MHRA operates as a trading fund, whose mission is to enhance and safeguard the health of the public by ensuring that medicines and medical devices work and are acceptably safe. It does this by protecting public health through regulation, promotion of public health and improving public health by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

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

9. In the last financial year, across these bodies the Department has spent £111bn and invested a further £4bn in capital expenditure such as new hospitals and equipment. Figure 1 below shows how the money was spent based on budgeted position.

[2] Legally part of the Department, but with greater operational independence than the Department

Figure 1: Flow of funding in Health Care Sector 2014-15



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

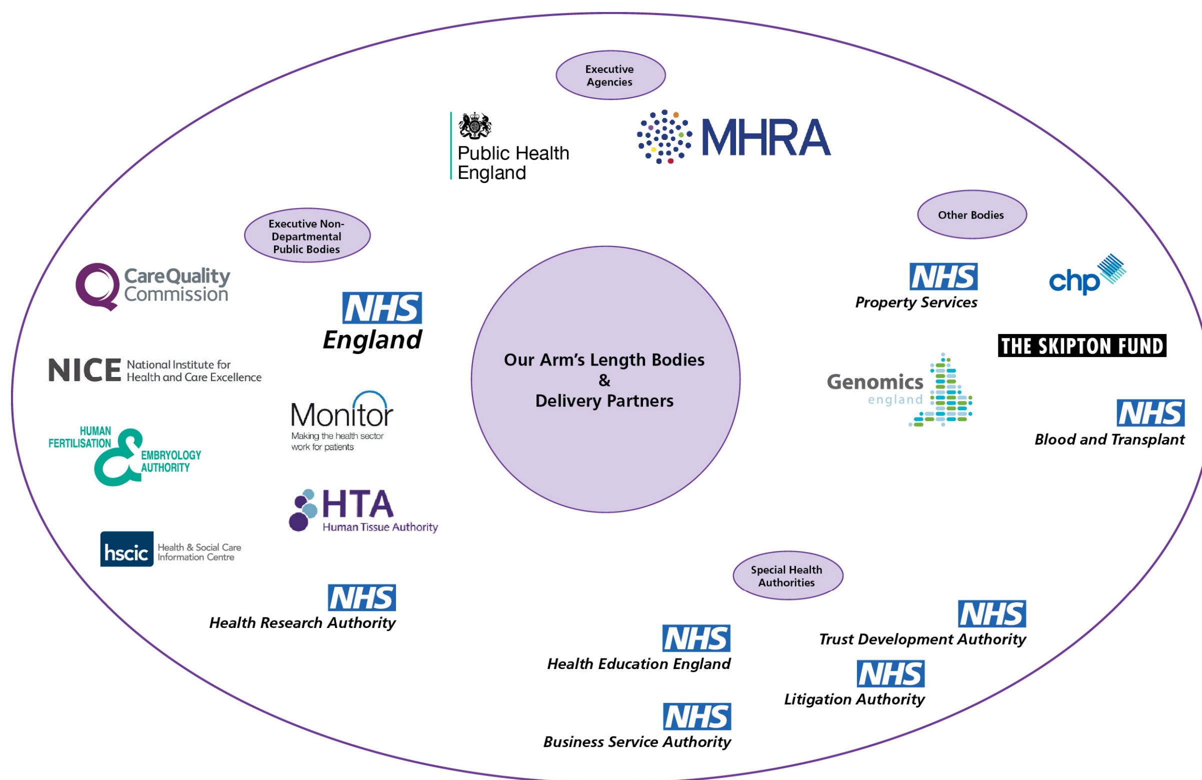
Our Arm's Length Bodies

10. Our arm's length bodies (ALBs) are national organisations established to support the health and care system to provide efficient, high quality services that improve outcomes for everyone. These bodies are accountable to Parliament through the Department of Health. We set their strategic direction and hold them to account for delivery of a range of agreed objectives. The ALBs provide a range of diverse functions to support the Department in delivering its objectives, including:
    - delivering high quality care to reflect what patients and the public value most;
    - regulating the health and care system and workforce;
    - establishing national standards and protecting patients and the public, and
    - providing central services to the NHS.

11. The activities of our arm's length bodies, are consolidated and incorporated in these accounts, with the exception of MHRA and NHS Blood and Transplant (NHSBT) who are designated as being outside the Department's group as they receive their funding from other sources.

12. The Health and Social Care Act 2012, conferred statutory functions on the Department's executive non-departmental public bodies (ENDPBs), rather than those functions being delegated by the Secretary of State. We remain responsible for the legislative framework of the system and the Secretary of State continues to be accountable to Parliament for the provision of the comprehensive health service in England. To enable the system to work flexibly, the critical day-to-day operational decisions are made by the professionals working in provider organisations, supported by the strategic and regulatory functions carried out by our ALBs.

Figure 2: The Department of Health's Arm's Length Bodies & Delivery Partners



Executive Non-Departmental Public Bodies [3]

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

NHS England sets the framework for commissioning of healthcare services in England. They fund Clinical Commissioning Groups (CCGs) who are responsible for commissioning services for their communities and assure that CCGs do this effectively. NHS England also commissions some services nationally. Working with leading health specialists, 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. Their role is to promote value for money in the provision of healthcare for the benefit of patients, regulate NHS prices (alongside NHS England), and provide the licensing regime for providing NHS care in order to protect and promote patients' interests.

Care Quality Commission (CQC)

The Care Quality Commission is the independent regulator of health and adult social care providers in England. They ensure that only providers who have made a legal declaration meet the 'fundamental standards of quality and safety' and satisfy the registration process are allowed to provide care. Once services are registered, CQC monitor and inspect them against these essential standards.

[3] ENDPB – established by primary legislation and have their own statutory functions

National Institute for Health and Care Excellence (NICE)

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

Health and Social Care Information Centre (HSCIC)

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

Human Fertilisation and Embryology Authority (HFEA)

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

Human Tissue Authority (HTA)

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

Health Research Authority (HRA)[4]

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

Special Health Authorities[5]

NHS Trust Development Authority (NHS TDA)

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

Health Education England (HEE)

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

NHS Business Services Authority (NHSBSA)

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

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[4] HRA changed status to become an ENDPB, for the first nine months of the year was a SpHA.

[5] NHS bodies created by order and subject to direction by Secretary of State.

NHS Litigation Authority (NHSLA)

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

Other Bodies included within the Departmental Group

NHS Property Services Ltd (NHSPS)

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

Community Health Partnerships 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. The project is currently in its pilot phase and will be completed by the end of 2017. Initially the focus will be on rare disease, cancer and infectious disease. 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, and any surplus will be invested back into improving health.

Skipton Fund Ltd

Established by Department of Health on behalf of Secretary of State to administer the 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 persons eligible.

Other Bodies not included in this Annual Report and Accounts[6]

NHS Blood and Transplant (NHSBT)

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

Medicines and Healthcare Products Regulatory Agency (MHRA)

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

[6]MHRA and NHSBT are outside the Department's budgetary control, as they receive their funding from other sources, so are designated by Office National Statistics as being outside the Department's group accounts and are therefore not consolidated in the Department's Accounts.

Developing the Department

Our Objectives

13. The health and care system has enabled all parts of the system to work together effectively. Our key priority for the year 2014-15, has been to continue to work with our Arm's Length Bodies to achieve the highest standards across the system. Our task is to improve patient safety and the quality of care while managing a financial situation that remains exceptionally tight. Our objectives for 2014-15 were set out in our Departmental Improvement Plan[7] and Corporate Plan[8]. Both plans summarise the Department's role and goals for 2014-15 as follows:

Our Departmental Improvement Plan

We work at the Department of Health to help 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

We have three goals for the future

Living and ageing well – helping people live healthier lives, making this country the best place in the world in which to grow old

In 2014, our priorities are preventing disease and poor health, improving care for people over 75, reforming social care, integrating health and care, and improving care for people with dementia

Caring better – raising standards in health and care, ensuring everyone is treated with compassion and respect

In 2014, our priorities are improving the quality of care and the use of technology, encouraging greater openness and taking significant steps towards parity of esteem between mental and physical health

Preparing for the future – making the right decisions today so that the health and care system can meet the needs of people in the future

In 2014, our priorities are ensuring the long-term sustainability of the system by maintaining quality, access and financial performance, working more efficiently and investing in research and innovation

We will improve our work to achieve these goals

Leading confidently – being an effective steward of the health and care system by providing strategic direction, building partnerships and being accountable and connected to patients and the public

Building capability – improving leadership and change management, programme and project management, and increasing digital skills

Improving policy making – ensuring we have the knowledge and strategic capability to address our major policy challenges

Increasing openness – having clearer priorities, reducing bureaucracy and providing the public with more accessible information on the performance of services

Department of Health

14. To achieve these objectives, the Departmental Board is committed to continuous improvements including areas such as our core skills as a Department of State and our leadership of the wider health and care system. We therefore 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 use this insight to develop policies that will enable the system to fulfil its purpose. The Departmental Improvement Plan sets out how we are embedding the various functions which contribute to our health and care stewardship.

[7] https://www.gov.uk/government/publications/department-of-health-improvement-plan-april-2014
[8] https://www.gov.uk/government/publications/department-of-health-corporate-plan-2014-to-2015

Review of the Year

Introduction

15. This review covers the operational performance of the NHS in 2014-15, Public Health and the Department's wider stewardship of the health and care system including delivery of our key objectives.

16. The Department's overwhelming priority for 2014-15 has been to maintain a relentless focus on the delivery of policy commitments and performance across the health and care system as a whole and build on the achievements of 2013-14. Over a year on from the publication of Hard Truths[9] which set out the Government's comprehensive response to the inquiry into Mid-Staffordshire failings, the Department strives for continuous improvement in the quality and safety of care. Government priorities must still be delivered as well as managing a challenging financial situation.

17. The Department has led the health and social care system to implement new ways of working as the system has evolved and matured. The Department has built on our stewardship role, working closely with our delivery partners and arm's length bodies to ensure a common purpose and that the system has carried on improving outcomes for the people whom we serve, and to whom we are accountable.

18. In addition to the work we planned to do, we also took action and led work on emerging pressures in the health and care such as the winter demand for NHS services, public health threats such as Ebola and the financial position throughout the system.

19. We have led on preparing the health and care system for the challenges of the future, from our work on long-term sustainability of NHS services, including forming relationships with new NHS Leadership and the publication of the Five Year Forward View, to our work encouraging research on key issues such as antimicrobial resistance. The preparation has included recognising the difficulties that face the system now and that will be pressing issues for the foreseeable future:
    - demographic change, in particular the challenges of an ageing population;
    - rising public expectations, particularly over the opportunities presented by new technologies; and
    - the fiscal challenge of reconciling rising demand with finite resources.

NHS Winter Pressures

20. This year, the NHS's winter preparations started earlier than ever. The Government supported this by providing £700 million, £300 million more than 2013-14, in extra funding.

21. Robust local plans have also been prepared to deal with bad weather or a serious flu or norovirus outbreak. We are also reminding people about alternatives to A&E, including walk-in centres, the 111 advice service and out-of- hours GP services. In some areas GPs have been placed in A&E Departments.

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270368/34658_Cm_8777_Vol_1_accessible.pdf

22. In the UK 20.4 million doses of the flu vaccine have been distributed by manufacturers directly to general practice and other providers. This includes the centrally procured vaccines for the children's flu programme and the strategic flu reserve. Under 65s at risk, pregnant women, the over 65s, and children aged between 2 and 4 years of age are offered the flu vaccine.

Financial Position

23. Despite considerable cost pressure in the NHS, arising mainly through increasing demand for services, the Department has managed spend within the control limits set by Parliament and HM Treasury.

24. The NHS commissioning sector continues to come under financial and operating pressure as demand for services increase. There are particular increases in costs of treatments funded by the Cancer Drugs Fund and through Specialised Commissioning. Despite this NHS England have remained within their budgetary limits.

25. The NHS Provider sector remains the key risk/volatility. There are particular cost increases from higher demand and rising staff costs resulting from the increased focus on quality and safety following the Francis Report.

26. Additional non-recurrent funding of up to £1.4 billion has been provided to NHS providers in 2014-15, to help mitigate the increasing spending pressures in the sector. A number of NHS providers are also receiving cash support from the Department.

27. The NHS Five Year Forward View[10] was published in October 2014 by NHS England, setting out a vision for the future of the NHS. It has been developed by the organisations that deliver and oversee health and care services. The purpose of the Five Year Forward View is to articulate why change is needed, what that change may look like and how we can achieve it.

NHS Operational Performance

28. The vast majority of group expenditure supports the delivery of front-line care in the NHS. The NHS employs some 1.3 million staff, representing more than 10% of the country's workforce 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.

29. 2014-15 was undoubtedly a challenging year for the NHS. Activity levels rose at a faster rate than in recent years and at a faster rate than might have been predicted purely on the basis of population and demography.

[10] http://www.england.nhs.uk/ourwork/futurenhs

30. Expenditure increased at 1% more than the underlying rate of inflation.

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

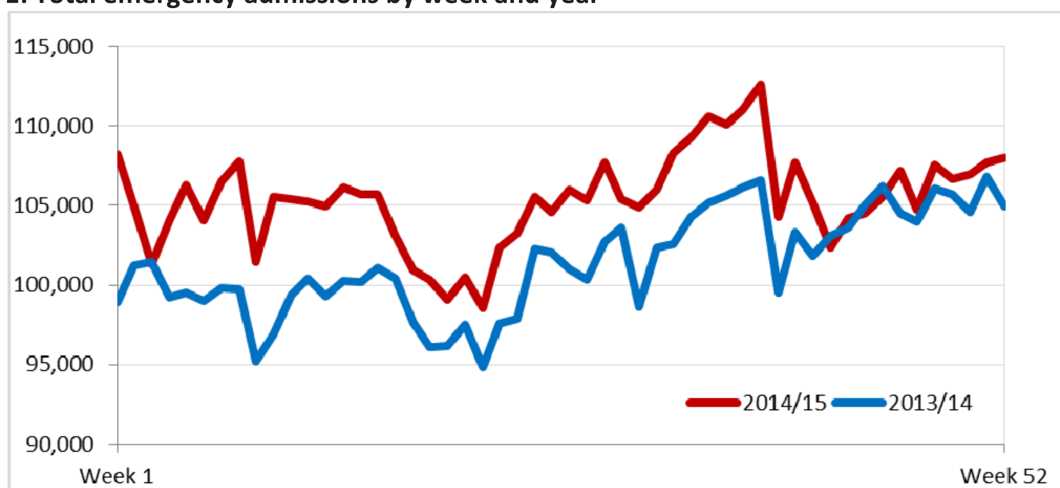
Emergency Care

Operational Standards

- 95% of patients should be treated and discharged or admitted within 4 hours
- 75% of immediately life-threatening ambulance calls should be responded to within 8 minutes
- 75% of life-threatening but less time critical ambulance calls should be responded to within 8 minutes
- 95% of both above categories should be responded to within 19 minutes to transport patient in a clinically safe manner

32. During the year:
    - attendances in A&E departments averaged a little over 430,000 a week compared with around 419,000 a week in the previous year – an increase of 2.6%
    - emergency admissions to hospitals averaged 105,400 a week, an increase of almost 4% over the 101,400 in the previous year;
    - category A calls resulting in an ambulance arriving at an incident averaged over 60,000 a week compared with 55,000 the previous year – an increase of 9%; and
    - the number of calls to NHS 111 averaged 237,000 a week compared with 159,000 in 2013-14. (Full coverage of NHS 111 began in February 2014)

Chart 1: Total emergency admissions by week and year



33. The NHS missed the A&E operational standard for 2014-15 with performance at 93.6%. This was the first time the 95% standard has been ben missed for a whole year since the introduction in 2010. Patient flow out of A&E departments was a key factor affecting performance.

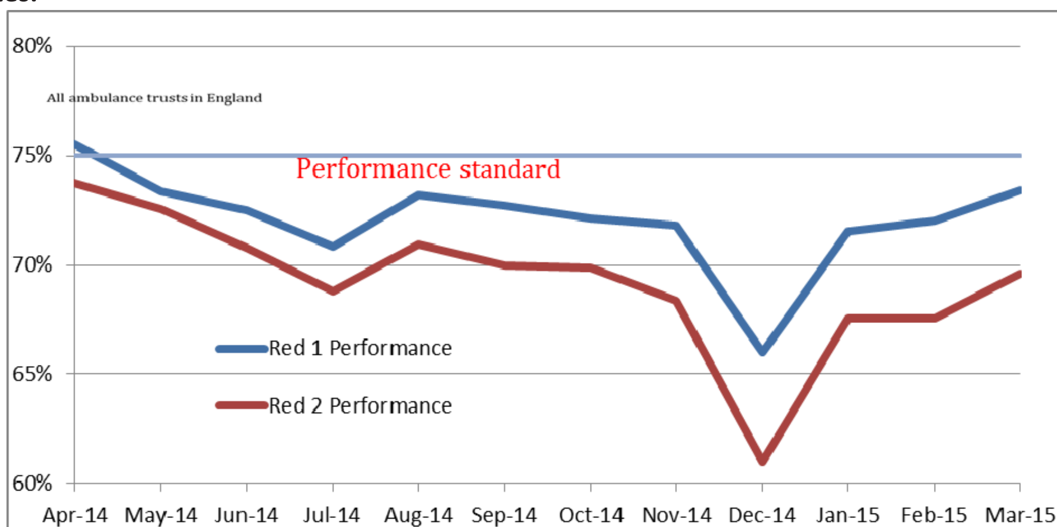
34. Working with the NHS and through NHS England, Monitor and the TDA the Department of Health supported hospitals and other providers to manage demand and maintain quality through:
    - The establishment of local system resilience groups bringing together: CCGs, hospitals, primary care and local government to plan for and manage winter pressures;
    - The allocation of £400million winter monies in September 2014 and a further £300 million in November; and
    - The deployment of experts through the Emergency Care Intensive Support Team to help assure plans and improve performance.

35. Despite these actions, performance against the operational standards was disappointing. Across the year 93.6% of patients were admitted, transferred or discharged within 4 hours against the Accident & Emergency standard of 95%.

Ambulance Performance in 2014-15

36. Faced with the same pressures across the urgent and emergency care system, there was a similar deterioration in the performance of the ambulance service against the three operational standards. All three ambulance standards were missed in 2014-15, with performance below the standards for ten consecutive months. The fall in performance should be seen against a background of increasing demand and recruitment and retention issues facing the ambulance service.

Chart 2: The number of Red 1 calls and Red 2 calls resulting in an emergency response within 8 minutes.

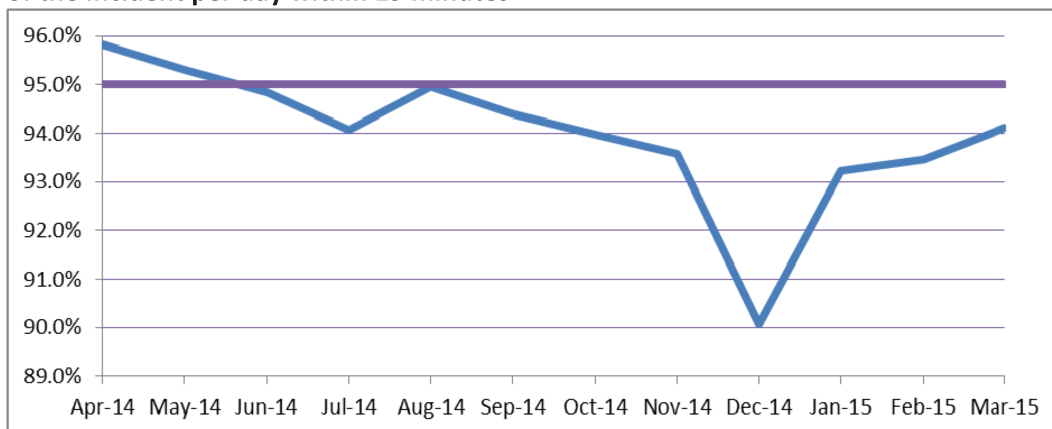


37. There were over 118,000 Red 1[11] calls resulting in an emergency response within 8 minutes, over 16,000 more than the previous year. This equates to over 9,800 a month and nearly 325 a day.

38. The number of Red 2[12] calls resulting in an emergency response within 8 minutes increased by over 8,500 from the previous year, and represents 171,000 calls a month and over 5,500 a day.

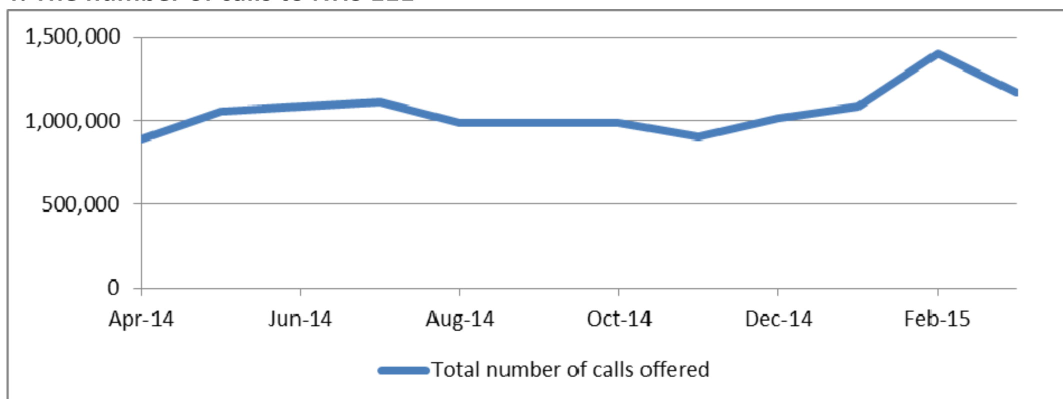
[11] Red 1 calls – life threatening calls requiring defibrillation.
[12] Red 2 calls – all other immediately life threatening calls.

Chart 3: The percentage number of Category A calls resulting in an ambulance arriving at the scene of the incident per day within 19 minutes



39. The number of Category A calls resulting in an ambulance arriving at the scene within 19 minutes increased in 2014-15 by over 185,000, over 2.9 million in total. This represents nearly 245,000 calls a month and over 8,000 calls a day.

Chart 4: The number of calls to NHS 111



40. Over 12.4 million calls dialled NHS 111 directly, rather than through other numbers. Over 10.3 million callers were triaged in 2014-15[13], an average of 864,000 calls a month and 28,400 a day. Over 2.6 million calls to NHS 111 were transferred to a clinical advisor, nearly 220,000 a month and over 7,200 a day.

[13] Comparative data for 2013-14 is not quoted because the NHS 111 service began reporting data in February 2014, therefore, a full year of data is not available

Elective Care

Operational Standards

Referral to treatment and diagnostic waiting times

- 90% of patients admitted to hospital start consultant-led treatment within 18 weeks from referral for non-urgent conditions
- 95% of patients not admitted (e.g. outpatients) start consultant-led treatment within 18 weeks from referral for non-urgent conditions
- 92% of patients on incomplete pathways (yet to start consultant-led treatment) waiting within 18 weeks from referral
- 99% of patients wait less than 6 weeks for a diagnostic test from referral[14]

Cancer waiting times – headline standards

- 93% of patients see a specialist within 2 weeks from urgent GP referral where cancer is suspected
- 96% of patients begin first treatment for all cancers within 31 days from diagnosis
- 85% of patients begin first treatment for all cancers within 62 days from urgent GP referral

Cancer waiting times – additional standards

- 93% of patients to have a maximum two week wait to see a specialist for all patients referred for investigation of breast symptoms, even if cancer is not initially suspected
- 94% of patients to have a maximum 31-day wait for subsequent treatment where the treatment is surgery
- 94% of patients to have a maximum 31-day wait for subsequent treatment where the treatment is a course of radiotherapy
- 98% of patients to have a maximum 31-day wait for subsequent treatment where the treatment is an anti-cancer drug regimen
- 90% of patients to have a maximum 62-day wait from referral from an NHS cancer screening service to first definitive treatment for cancer.

41. When looking at 2014-15 compared to 2013-14[15]:
    - the number of GP referrals made[16] was 12.3 million compared to 11.9 million, an increase of 3.4%;
    - the number of first outpatient attendances was 17.2 million compared to 16.6 million, an increase of 3.6%;
    - the number of day cases was 6.5 million compared to 6.2 million, an increase of 4.8%, with day cases representing 81.5% of all day case and elective admissions;
    - the number of elective admissions was 1.46 million compared to 1.50 million, a decrease of 2.7 %;
    - the number of non-elective admissions was 5.7 million compared to 5.5 million.

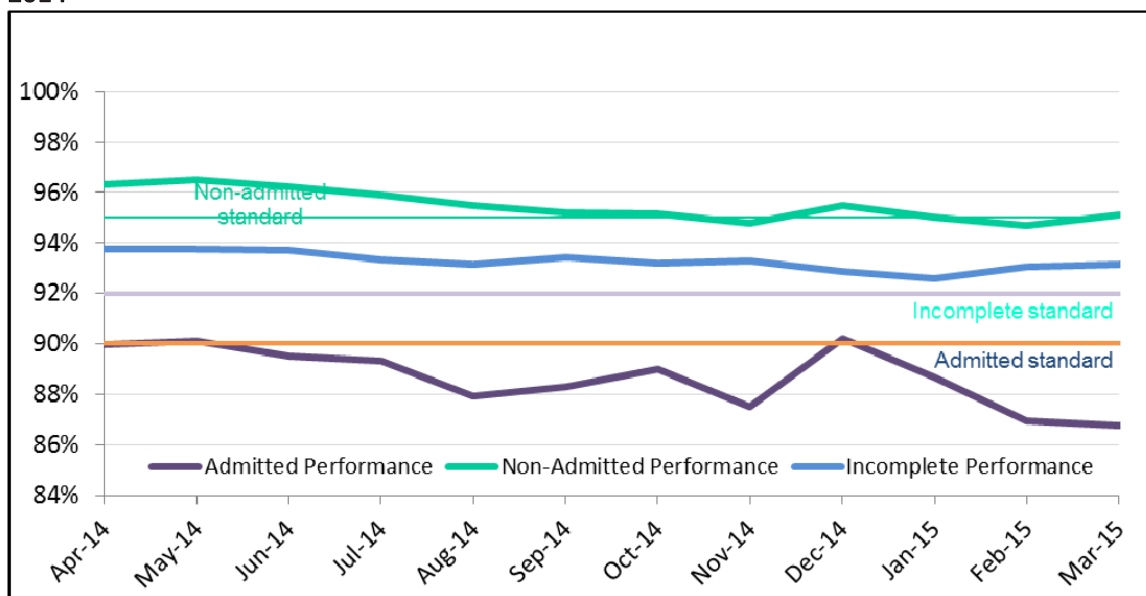
42. Growth in demand for elective care is driven by a range of variables including population growth, population structure and changing clinical and patient factors. The growth in referrals noted above is at least in part due to the growing and ageing population. The

[14] Published data expresses this as less than 1% of patients waiting more than 6 weeks for a diagnostic test from referral.
[15] Figures are adjusted for working days
[16] GP referrals made to general and acute specialties

largest percentage increases in GP referrals seen for first outpatient appointment were among those aged 65 or over. In addition technological change, permitting less invasive and risky procedures, and an increase in life expectancy are both factors that have led to increasing elective intervention rates.

43. During 2014-15, the NHS was asked to focus on reducing the backlog of patients waiting over 18 weeks to start treatment. This was accompanied by a suspension of the financial sanctions on providers, which recognised that treating a larger proportion of patients waiting over 18 weeks would lower performance against the completed pathway standards. As a result of this managed breach, the 90% admitted standard was missed for ten out of twelve months and the 95% non-admitted standard was missed for three months. The 92% incomplete pathway standard was met in every month.

Chart 5: Year on year growth in hospital activity on a 12 month rolling average, 2013-14 and 2014



44. Increasing incidence, and a desire to improve survival rates, also gave rise to pressure against the cancer waiting time standards. There were 1.5 million two week urgent GP referrals to see a specialist for suspected cancer, an increase of 13.8% on 2013-14. The majority of standards were met in every quarter (table 1). However, the 62 day standard from urgent GP referral to first treatment was missed in every quarter. The two week standard from referral to specialist for investigation of breast symptoms, even if cancer is not initially suspected, was also missed in the first quarter but recovered in subsequent quarters. This may be partly attributable to an increase in referrals following a national campaign to raise awareness of breast cancer in women over 70 that ran in February and March 2014.

Table 1: Performance against the cancer waiting time standards, 2014-15

	Standard	14-15 Q1	14-15 Q2	14-15 Q3	14-15 Q4
The principal standards					
Two week wait from GP urgent referral to see a specialist where cancer is suspected	93%	93.5%	93.6%	94.7%	94.7%
31 day wait from diagnosis to treat to a first treatment for cancer	96%	97.8%	97.7%	97.8%	97.5%
62 day wait from urgent referral to a first treatment for cancer	85%	**84.1%**	**83.5%**	**83.8%**	**82.3%**
The remaining standards					
Two week wait from referral to see a specialist for investigation of breast symptoms, even if cancer is not initially suspected	93%	**90.3%**	93.5%	94.9%	94.7%
31 day wait from a decision to treat to a subsequent treatment for cancer (anti-cancer drug regimen)	98%	99.7%	99.6%	99.6%	99.5%
31 day wait from a decision to treat to a subsequent treatment for cancer (radiotherapy)	94%	97.1%	97.3%	97.9%	97.8%
62 day wait from a decision to treat to a subsequent treatment for cancer (surgery)	94%	96.2%	96.0%	95.8%	94.9%
62 day wait from a national screening service to a first treatment for cancer	90%	93.8%	94.1%	93.5%	91.4%

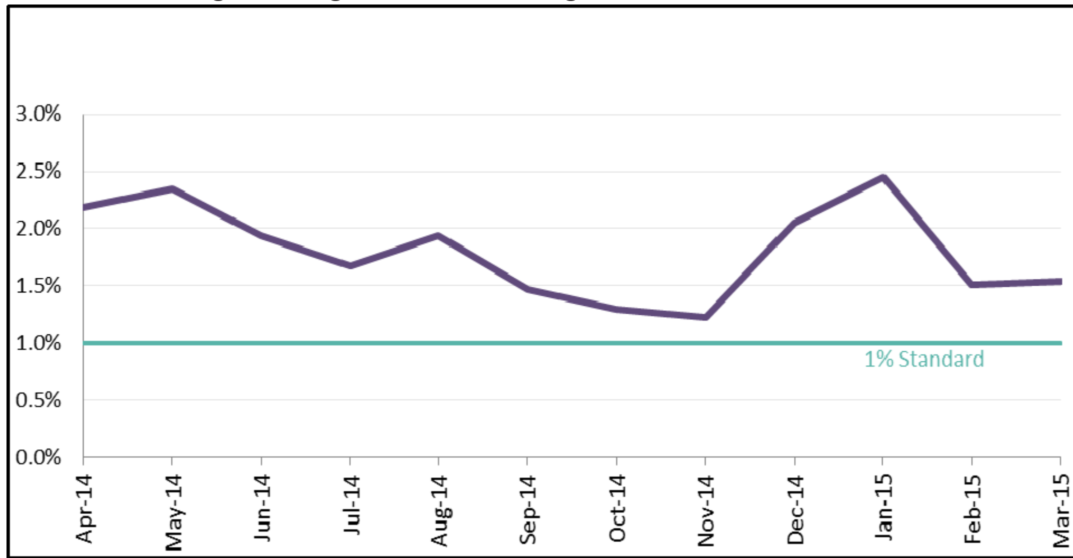
Source: NHS England

45. Waiting times for diagnostic tests are an important contributor to consultant-led referral to treatment and cancer waiting times. The number of diagnostic tests performed by the NHS continued to grow in 2014-15. In total, the NHS did 19.0 million tests, a 5.9% increase on 2013-14. The biggest increases in activity by volume were in the imaging group of tests. Between 2013-14 and 2014-15, Magnetic Resonance Imaging (MRI) scans increased by 256,000 (9.6%) to 2.9 million, Computerised Tomography (CT) scans by 389,000 (9.0%) to 4.7 million, and non-obstetric ultrasounds by 251,000 (20.0%) to 1.5 million.

46. In addition to the demographic factors already identified, this increase in demand is being driven by:
    - rising expectations amongst the public
    - policy drivers such as implementation of strategies to improve outcomes for patients with certain conditions (e.g. stroke), GPs having direct access to some diagnostic services and expanded national screening programmes
    - changing clinical practice driven by National Institute of Health and Care Excellence (NICE) guidelines, published research and other best practice initiatives
    - innovation and technology e.g. interventional radiology in place of surgical procedures, new endoscopic techniques, molecular imaging and functional imaging techniques coming out of research into established clinical practice, hand held devices enabling investigations nearer to the patient.

47. In the face of this increased activity the operational standard for diagnostics was missed but median waits were held at around 2 weeks throughout the year.

Chart 6: Performance against diagnostic tests waiting time standard, 2014-15



Our Achievements

48. The Department's achievements are organised under three themes and progress against them is set out below:

Living and ageing well: In 2014-15, our priorities have been preventing disease and poor health, improving care for people over 75, reforming social care, integrating health and care and improving care for people with dementia.

Caring better: Raising standards in health and care, ensuring everyone is treated with compassion and respect. In 2014-15, our priorities are improving the quality of care and the use of technology, encouraging greater openness and taking significant steps towards parity of esteem between mental and physical health.

Preparing for the future: Making the right decisions today so that the health and care system can meet the needs of people in the future. In 2014-15, our priorities are ensuring the long-term sustainability of the system by maintaining quality, access and financial performance, working more efficiently and investing in research and innovation.

Living and ageing well

Helping people live healthier lives, making this country the best place in the world in which to grow old.

49. There has been a transformation of the health visitor service, making real difference to children, with at least 3900 more health visitors than in 2010. More will enter the workforce from September 2015.

50. In 2014-15 there have been a number of significant achievements for the UK's immunisation programme:
    - We introduced a new vaccine to protect infants against rotavirus, the most common cause of gastroenteritis among children, and one which can lead to a significant number of young children being hospitalised. The vaccine had an immediate and dramatic effect upon the disease, bringing significant benefits to children and their families;
    - The seasonal flu vaccination programme was extended to include all two and three year old children. Eventually, all children aged two to 16 years will be offered vaccination. The programme will protect children, their families, and those more vulnerable people with whom children come into contact; and
    - We continued the pertussis (whooping cough) vaccination programme for pregnant women. Babies are first vaccinated against pertussis at two months of age, but until this point they are at most risk of serious disease. Vaccinating pregnant women saves babies' lives.

51. We are now able to offer women the greatest possible choice of providers of maternity services, and work continues towards providing 16,000 new places on the Family Nurse Partnership Programme, to improve outcomes for young, at risk, first-time mothers and their babies.

52. In March 2015 our report on Living Well for Longer set out the progress in 2014 - 2015 towards reducing levels of premature avoidable mortality[17]. Amongst the many examples of progress are the delivery with our partners PHE and NHS England, of a programme of symptom awareness raising campaigns under the brand Be Clear on Cancer, and meeting a target of 60% bowel scope screening coverage ahead of time. 47 bowel scope screening (BSS) centres are now live; over 75,000 invitations have been issued and almost 26,000 BSS procedures have been performed.

53. We have taken significant steps to reduce the prevalence of smoking over the past five years, building on the tobacco control plan published in 2011[18]. The display of tobacco products in large shops was banned from April 2012 and extended to smaller shops from last month. Last summer, the Department consulted on the introduction of regulations to standardise the packaging of tobacco products ('plain packaging') and the Government agreed to introduce standardise packaging after considering the feedback. One of the last actions of this Parliament was to pass the regulations requiring standardised packaging in March 2015: these will come into force in March 2016. This is a significant achievement in the wider tobacco strategy, which is aimed at reducing smoking rates across the country, particularly amongst children. The latest figures estimate 18.7% of the population smoke – the lowest level since records began in the 1940s.

54. The Department has taken the lead in understanding how to deal with the challenges posed by antimicrobial resistance (AMR). We have developed and published a five year strategy – the first annual report was published in December, alongside a detailed implementation plan. In line with the UK strategy the department advocated the ratification of a new resolution at the 67th World Health Assembly meeting.

55. Supporting the UK's response to the Ebola outbreak and ensuring a robust response to the threat in the UK needed quick action. It also required a response across the full span of our delivery partners, particularly PHE who were responsible for providing specialist public health services, expertise and advice at all levels and working in partnership with the NHS and other organisations to protect the public and minimise the health impact of the disease. NHS England led the mobilisation of the NHS for emergency response and for assuring NHS readiness.

56. Other achievements toward improving public health include, in the third year of the Responsibility Deal, work with PHE and our partners in industry to tackle lifestyle risk factors that lead to disease.

Transforming care outside hospital, focusing on the role of primary care improving integrated out of hospital care, and also to look at what can be done to improve urgent and emergency care.

57. In April 2014 the Department and NHS England published a future vision for transforming primary care. Changes to the 2014-15 GP contract gave people aged 75 and over a named accountable GP with overall responsibility for their care from July 2014.

58. Pilot sites were selected for GP surgeries to explore means of providing greater patient access through longer and weekend opening hours and better use of technologies, and

[17] https://www.gov.uk/government/publications/living-well-for-longer-progress-1-year-on
[18] https://www.gov.uk/government/publications/the-tobacco-control-plan-for-england

improving patient satisfaction. The Prime Minister's Challenge Fund pilot sites cover 1100 practices and 7.5 million patients. Through NHS England we also developed incentives to improve access to primary care in disadvantaged areas.

59. For care outside hospital, we introduced, through NHS England, choice of NHS funded care for long term conditions and in diagnostics and post-diagnosis, as well as a right to ask for a personal health budget for everyone who is in receipt of NHS Continuing Healthcare.

Implementing social care reform, including integrating health and social care.

60. We have published draft regulations and guidance to implement the Care Act in 2015-16. The Care Act received Royal Assent in May 2014 and came into force in April 2015. It reforms the law relating to care and support for adults, to support for carers, and makes provision about safeguarding adults from abuse or neglect. It also makes provision about care standards.

61. We worked with Think Local, Act Personal, ADASS and other social care stakeholders to develop statutory guidance to support provisions in the Care Act that mandate personal budgets as part of the care and support plan. The guidance was available for consultation over the summer of 2014 and final versions have recently been published.

62. Working with and through our delivery partners, the Department has reformed the funding of the care and support system, and put the statutory framework in place to give the CQC the powers to oversee the financial sustainability of care providers to ensure continuity of care.

63. By October 2014 we had chosen 25 localities to become Integrated Care and Support Pioneers. The pioneers are demonstrating that integrated care takes time to deliver but that it is a proven critical component of sustainable health and care systems. Budgets were pooled between Clinical Commissioning Groups and Local Authorities to encourage them to work together and drive the integration agenda forward through the Better Care Fund (BCF), with funds allocated by NHS England.

64. The Better Care Fund is the largest ever financial incentive to integrate health and social care services, with improved data-sharing between different health and social care providers and delivery of a 7 day service with a single point of contact for the user. This will mean that more people can be treated at home or in the community, reducing pressure on hospitals caused by emergency admission that could be avoided.

65. Figures show that £5.3 billion has been pledged as part of the Better Care Fund, substantially higher than the £3.8 billion originally allocated in the 2013 spending round. From July 2014 to present, the BCF Taskforce has overseen development, assurance and sign-off of plans across the country which utilise the opportunity of the pooled funds to best effect and support achievement of the Fund's core purpose.

Improving treatment and care of people with dementia to be among the best in Europe through early diagnosis, better research and better support.

66. We worked with Public Health England to launch a dementia movement to improve awareness and attitudes, including sign-up by one million 'dementia friends' by February

2015, and 82 Dementia Friendly Communities in the foundation stage recognition process by March 2015.

67. In May 2014 we published the second Annual Progress report on the Prime Ministers' Challenge on Dementia. One challenge was increasing early diagnosis and appropriate post-diagnosis support: latest figures show that 61.6% of those estimated to have dementia have a diagnosis.

68. At international level we held the first G8 Legacy event on finance and social impact investment in dementia research in London, and established the World Dementia Council, hosting its first meeting in April 2014.

Caring Better

Raising standards in health and care, ensuring everyone is treated with compassion and respect.

69. As a result of Sir Robert Francis's public inquiry into the failings at Mid Staffordshire NHS Foundation Trust[19], the Department committed to implementing 290 recommendations, spanning the fostering of a common culture to put patients first; ensuring openness, transparency and candour; and making all those who provide care for patients accountable for what they do. The latest report on progress, published in February 2015[20], showed that we have made significant progress in implementing these recommendations: 120 of the promised actions against recommendations are complete and substantial progress has been made on a further 140.

Quality and Safety

70. In March 2014, the Secretary of State for Health issued a call to action to make the NHS the safest healthcare system in the world. The Department has improved patient safety by working with NHS England and NHS Improving Quality[21] to launch the Patient Safety Collaboration; also through the introduction of laws for more open and safe NHS care: a statutory duty of care to patients and family members, and a fit and proper person requirement (FPPR) for Directors of health and care providers registered with the Care Quality Commission (CQC).

71. CQC's specialist inspection teams carry out rigorous in-depth reviews of service providers that asks if services are safe, effective, caring, effective and well-led. Inspections lead to a rating against each question ranging from outstanding to inadequate. CQC have the tools to take action when it finds unacceptable standards of care following the introduction of new fundamental standards, defining the basic standards of care all providers must meet. CQC can take action against organisations that fail to meet these standards including bringing prosecutions for the most serious failures in care.

72. Other achievements throughout the system which bring more importance to quality of care, (achieved through working with the Care Quality Commission, Monitor and partners) include: the development and implementation of a single failure regime for quality and finance. The introduction of a new offence for providers of health and social

[19] http://www.midstaffspublicinquiry.com/
[20] http://www.engage.dh.gov.uk/francisresponse/
[21] http://www.nhsiq.nhs.uk/

care that provide misleading information; and the amendment of a loophole in Section 19 of the Health and Social Care Act 2008 that allows some providers to voluntarily close services in order to avoid enforcement action by the Care Quality Commission.

73. On 11 February 2015, Sir Robert Francis QC published his final report following the Freedom to Speak Up review[22] which looked at the raising concerns culture in the NHS. The report makes a number of key recommendations under five overarching themes with actions for NHS organisations and professional and system regulators to help foster a culture of safety and learning in which all staff feel safe to raise a concern.

74. Secretary of State has written to every NHS trust chair to reinforce the importance of staff being able to discuss concerns openly in teams, and for appropriate actions to be taken. He specifically stated that each organisation should act now to appoint a local guardian who has a direct reporting line to the chief executive, who staff can approach to raise concerns. Similarly, the NHS Trust Development Authority (TDA) and Monitor will also be writing to all Chief Executives.

75. Other achievements throughout the system which bring more importance to quality of care, (achieved through working with the Care Quality Commission, Monitor and partners) include: the development and implementation of a single failure regime for quality and finance. The introduction of a new offence for providers of health and social care that provide misleading information; and the amendment of a loophole in Section 19 of the Health and Social Care Act 2008 that allows some providers to voluntarily close services in order to avoid enforcement action by the Care Quality Commission.

Training and revalidation

76. Camilla Cavendish's (July 2013) Independent Review into Healthcare Assistants and Support Workers in the NHS and social care settings found that these workers do not have consistent training and do not have a clear status or standard job titles. The Review set out 18 recommendations designed to improve the training and support offered to these workers. By April 2015, we had implemented the majority of these recommendations, including introducing the Care Certificate. The Care Certificate sets out the fundamental skills, knowledge and behaviours that are required to provide safe, effective and compassionate care. As of 1st April 2015, all new healthcare assistants and social care support workers are expected to demonstrate their competence across all of its 15 standards before working unsupervised

77. The Government has also committed to the introduction of nurse and midwife revalidation, the Nursing and Midwifery Council (NMC) is responsible for the design of the revalidation model and implementation, national boards will advise on readiness. It is anticipated that nurse and midwife revalidation will launch in October 2015, with the first revalidation completed in April 2016.

78. 2014 was the second full year of the programme of medical revalidation, with the aim to give patients confidence that their Doctor is being regularly checked by their employer and improve overall care. By 31 March 2015, 59% of doctors in England had been through the process, on track with the General Medical Council's (GMC) plans, the vast majority of the remaining doctors have revalidation dates scheduled during 2015-16.

[22] https://freedomtospeakup.org.uk/

Patient experience

79. Through NHS England, the Friends and Family Test (FFT) was rolled out across all GP, community and mental health services and to other appropriate services. A review of the test found that 85% of Trusts are using the FFT to improve patient experience, with over 5 million pieces of feedback gathered from patients. FFT was also implemented for NHS Staff, providing an important barometer of staff views about their workplace and its suitability as a place of care.

80. Since October 2014 the CQC have been examining how effectively complaints were dealt with every time they carry out an inspection. This includes taking a sample of closed complaints to see how well they were handled and whether the learning was captured and embedded in the organisation afterwards. An accessible complaints guide for service users who are dissatisfied by the service they have received from the NHS has also been made available via Citizen's Advice from HealthWatch England.

Technology Revolution – making a step change in the way technology and information is used to enable more efficient and joined up working across the health and care system, improving quality of care and helping people manage their own healthcare.

81. Improved governance arrangements include the development of a strategic decision-making and commissioning forum through the establishment of the National Information Board and sub-groups. Through our delivery partners, the Department has rolled out the Growth and Efficiency Fund to NHS Trusts.

82. The Department has made progress with implementing an action plan to align all services to Government's Digital by Default service standard. We updated the NHS Constitution to reflect the use of patient data to support research, to require use of such data in anonymised form, and in support of the Informed Choice agenda, included the pledge that the NHS will inform patients about the research they are eligible to participate in. In addition, we improved the UK Clinical Trials Gateway (UKCTG), a digital service for the public to find clinical trials.

83. Information has been made available in one place via a single portal for patients, professionals, the public and NHS leaders, with the introduction of MyNHS[23] website in 2014, showing comparative data across the health and care system including the innovation scorecard. Information is also available for specific groups such as parents, with twice as many now benefiting from receiving high quality advice and information from the Information service for Parents on health and parenting.

84. Targets were met in respect of: funding available for up to 250 patients to access Proton Beam Therapy; access to Intensity Modulated Radiotherapy (IMRT) in the 24% of cancer cases that require radical radiotherapy, delivered by 50 radiotherapy centres nationwide; and, through the Nursing Technology Fund, provision of £30m for 85 projects to support nurses, midwives and health visitors to make better use of digital technology in all care settings.

85. In December 2012, the Prime Minister announced a project to sequence 100,000 whole genomes of NHS patients by 2017. The potential of genomics is huge, leading to more precise diagnostics for earlier diagnosis, faster clinical trials, new drugs and treatments

[23] https://www.nhs.uk/Service-Search/performance/search

and potentially, in time, new cures. Based on expert scientific advice, the initial focus will be on cancer and rare diseases. Set up in July 2013, Genomics England Ltd is now established as a limited company and will deliver this project. Its main aims are to:

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

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

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

Demonstrating real and meaningful progress towards achieving true parity of esteem between mental and physical health by March 2015

88. Through NHS England, the Department has continued to work towards our overall targets in respect of Improving Access to Psychological Therapies for adults, children and young people. Patients also have a legal right to choice of any qualified provider for mental health services.

89. Working with delivery partners, we commenced the evaluation of 10 trial liaison and diversion schemes for vulnerable people at police stations and courts, and supported pilots relating to psychological well-being at work to reduce direct costs to the taxpayer caused by ill health.

90. This year we held a summit on the mental health Crisis Care Concordat, which sets out how police, mental health, social work and ambulance professionals and others should work together to help people going through a mental health crisis.

Preparing for the Future

Improving productivity, long-term sustainability and ensuring value for money for the taxpayer

91. Work on improving the efficiency of NHS procurement, included publication of the "NHS e-Procurement Strategy, Procurement Transparency Guidance and Toolkit" and establishment of the Centre for Procurement Efficiency and Academy for Procurement Excellence, to help deliver £2bn of efficiency savings as well as developing long-term leadership and capability in procurement across the NHS.

92. The Department published payment by results information, subject to commercial confidentiality and guidance from the UK Statistics Authority, working with Home Office and the Ministry of Justice. We also supported selected pilots in local areas to implement a local payment by results scheme for drugs and alcohol recovery, and capture best practice and share learning, working with Home Office, the Ministry of Justice and the Department for Work and Pensions.

Contribute to economic growth

93. With the Department for Business, Innovation and Skills, we appointed a new joint Minister for Life Sciences who has announced new investment into life sciences alongside a review into how we develop medicines and medical technology[24]; we have provided a world-class research infrastructure in the NHS and partner universities, which meets the needs of funders including the life sciences industry and charities.

94. At the end of March 2015 the DH family had sold land with capacity for more than 16,500 homes, in our continued support of the Government's ambition of 100,000 homes.

95. The Department published the Visitor & Migrant NHS Cost Recovery Programme Implementation Plan 2014-16.

96. We have increased the pace of translating leading-edge research into patient benefits, with focus on the needs of patients, particularly targeted at chronic conditions and public health; a National Institute Health Research (NIHR) Bio Resource was developed to provide a cohort of patients, their relatives and healthy volunteers who wish to participate in experimental medicine.

97. The Department set up the NIHR Rare Diseases Translational Research Collaboration (TRC) to support Better Health and Wellbeing for all, and invested £79.6million in life sciences companies via collaborations with NIHR Biomedical Research Centres and Units.

Developing the resilience of DH

98. Over the course of this year we have undertaken work to develop the organisational capability and resilience of the Department to fulfil our role of steward of the health and care system. To this end our work has included: publishing and taking forward our Departmental Improvement Plan; using data from our staff survey results to assess our capability; undertaking work to develop our analytical functions, for example embedding

[24] https://www.gov.uk/government/news/major-investment-in-life-sciences

the use of behavioural and citizen insight; increasing focus on our digital capability, particularly around digital consultations[25]; and contributing to Civil Service Reform.

99. To improve the Department's policy making process, all of our Senior Civil Service staff due to take part in a connecting placement have done so since the start of the programme, with 120 SCS staff having been engaged in connecting with over 180 organisations across the health and care system. Connecting covers spending time at the front line of NHS delivery getting to know and understand the system from the patient and carer perspective, which has been running since April 2014.

100. We delivered our objectives, building our role in a different system and a fast-changing Civil Service. We have forged relationships with new organisations, and with the Ministers we serve and have developed our understanding of being the strategic steward of the system where our accountability to patients and the public is paramount. We have also built our understanding of the work of a modern department of state, increasing openness, reducing bureaucracy, and working more flexibly with clearer priorities.

Other Performance Areas

Better Regulation and the Red-Tape Challenge[26]

101. The Department of Health remains committed to the use of better regulation to achieve our objectives at the least cost to the economy, thereby promoting economic growth and prosperity. This is achieved by using, where possible, alternatives to regulation, for example the Responsibility Deal[27], and reviewing our existing regulations to remove unnecessary regulatory burdens on business where we can. When we do regulate, it is only where it is necessary to protect public health and to ensure we provide safe, effective and compassionate care.

102. As part of the Government's challenge to reduce the red-tape burden on businesses and improve regulation, the Department, under the Healthy Living and Social Care theme, identified that 118 of 566 regulations were not necessary and a further 273 could be improved. DH delivered 149 of these regulatory reforms, helping the Government reach its target of 2,000 regulatory reforms completed in the last Parliament. The Department undertook a regulatory mapping exercise during 2014 to identify further opportunities to improve its regulatory impact with respect to opticians, dentists, care homes, therapists, nurses and medical practitioners. The Department reported back on the findings to the Reducing Regulation Committee in November 2014.

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

[25] https://digitalhealth.blog.gov.uk/.
[26] http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/
[27] https://responsibilitydeal.dh.gov.uk/

import licences require assessment; and consolidation of 1000 pages of medicines legislation into 300, saving a further £0.9million per year; and

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

104. The Department helped to ensure that the government met its target of reducing regulation and achieving a challenging 'One In, Two Out' target. This means that for every £1m increase to the regulatory burden on the private and voluntary sectors, the government had to find reductions in other regulations of £2m. The Department's closing One In, Two Out balance, as published in the Ninth Statement of New Regulation, was a deficit of £33m. This included several measures to protect public health but the cost was primarily accounted for by a single measure – extending the display ban of tobacco products to small shops. This display ban was introduced in a phased roll-out whereby large shops had to comply in 2012, to give small shops more time to minimise any associated costs.

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

106. The first review examining the Care Homes sector was published in May 2014[28]. The second review examining the pharmaceutical manufacturing and production sector, with MHRA as the lead regulator, published in June 2014[29]. Each review is a short investigation of stakeholder experiences and involves gathered information to identify areas of good practice and those elements of the regulatory approach that stakeholders feel can be improved.

107. The Department is responsible for transposing European Directives and Regulations into UK law, with regard to nutrition, smoking, and other health-related policies. In 2014-15, DH transposed just one EU Directive: requiring health professionals to have sufficient insurance or indemnity cover. This had been delayed since October 2013 as DH was working to minimise the impact on independent midwives.

108. During 2014-15, the Department submitted 11 full impact assessments (consultation or final stage) and 13 fast-track (regulatory triage assessment or validation impact assessment) to the Regulatory Policy Committee (RPC). The RPC considered 3 full impact assessments and 4 fast-track submissions to be 'not fit for purpose'.

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

[29] http://discuss.bis.gov.uk/focusonenforcement/review-findings/review-of-the-pharmaceutical-manufacturing-and-production-sector/

Secretary of State for Health Annual Report for 2014-15

Introduction

109. The Secretary of State is required by section 247D[30] of the National Health Service Act 2006 to publish an annual report on the performance of the health service.

110. The Secretary of State for Health Annual Report for 2014-15 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[31]. 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 inequalities) of the 2006 Act[32]. The contents of this report must be seen in a wider context of increasing demand upon the health and care system from an ageing population, where the NHS performed well against its national standards and significantly improved its focus on quality and safety. Measures taken during 2014-15 to secure improvements to services and quality of care are also explained within the main body of this document, in the 'Our Achievements' section.

111. The Secretary of State for Health must assess how effectively he has discharged his duty to act with a view to securing continuous improvement in the quality of services provided to individuals, in particular with a view to securing continuous improvement in the outcomes achieved, having regard to quality standards prepared by the National Institute for Health and Care Excellence (NICE). The Secretary of State must also assess how effectively he has discharged his duty, 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

112. 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 which the NHS is required to deliver in terms of access to NHS services. These are set out as rights and pledges to patients in the NHS Constitution. Details of how the NHS has delivered against some of these main access standards including: 18 weeks from Referral to Treatment; Diagnostics tests; Cancer waiting times, Accident & Emergency waiting times and Ambulance response times are given in the main body of this DH Annual Report under the 'Review of the Year' section. This year, the focus on safety and quality of care has continued, ensuring that patients get timely care and also the right outcome.

113. On the whole, performance across these main areas in 2014-15 has been good given significant increases in demand for services. Throughout 2014-15 the Secretary of State has held NHS England, Monitor and the National Trust Development Authority to account for their management of the NHS, through regular performance and accountability

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

meetings with their Chief Executives, seeking assurances on when performance will improve and by what means of address.

Outcomes Frameworks

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

115. 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.

116. The Outcomes Frameworks enable the Secretary of State to hold the system to account and set out national areas for improvement and how that improvement will be measured. These national priorities exist alongside local priorities. Together the outcomes frameworks mean that common challenges at the local level across the health and care system are highlighted. They inform local priorities and joint action while reflecting the different ways that services are held accountable. Data from the three outcomes frameworks is published online for the public to hold their local services to account. A subset of measures are published within topic specific scorecards on the MyNHS[33] website. This is part of the Government and Department's wider drive to increase the transparency and accountability of public services.

117. DH business and structural reform plan progress is also regularly reported online, along with data on some high-level indicators from the outcomes frameworks. These impact and input indicators show the resources being invested into delivering results, and the outcomes achieved[34].

The Departmental Improvement Plan

118. Measures from the frameworks will be used to assess our progress in becoming a better health department through improving our formulation of strategic policy and ensuring accountability. These commitments are set out in the Departmental Improvement Plan 2014[35].

Progress against outcomes[36]

The NHS Outcomes Framework

119. The Secretary of State's mandate to NHS England outlines the specific objectives the NHS should achieve that year. Central to the mandate is the NHS Outcomes Framework, which sets out the outcomes used to help assess whether NHS England has achieved its

[33] http://www.nhs.uk/Service-Search/performance/search
[34] https://www.gov.uk/government/publications/input-and-impact-indicators-2014-to-2015
[35] https://www.gov.uk/government/publications/department-of-health-improvement-plan-april-2014
[36] 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.

objectives. The NHS Outcomes Framework consists of five different domains and includes 68 indicators overall. Based on the latest available data[37], a majority of these indicators show improvements in outcomes and the Government is determined to secure further progress for patients.

120. On preventing people from dying prematurely, the overarching indicators show improvement. The potential years of life lost (PYLL) from causes considered amenable to health care for adults and children fell in 2013. Female and male life expectancy at 75 increased in 2013 by 0.3 years to 13.3 years and by 0.2 years to 11.5 years respectively. Taking deprivation into account, female life expectancy has increased steadily since 2001 in least deprived areas. Life expectancy for females also increased in the most deprived areas up to 2009-11 and levelled out in subsequent time periods. Life expectancy for males saw a similar trend as life expectancy for females since 2001. Male life expectancy for the most deprived quintile increased at a slower rate than for the least deprived quintile. On improvement areas, cancer mortality rates fell nationally by 2.1% in 2013, continuing the falling trend over the last decade, while death rates from cardiovascular disease fell as well. However, there are still improvements to be made – for example, the excess mortality rate in adults with serious mental illness and mortality rates from respiratory disease both increased in 2013. The increase in mortality rates from respiratory diseases reflects a worsening in the most deprived areas, where it increased from 2009 to 2013 by 5.4% compared to an 8.2% reduction in least deprived areas. The opposite is true for mortality rates from liver diseases, which fell by 4.9% from 2009 to 2013 in most deprived areas but increased by 4.5% in least deprived areas.

121. There has been a variable picture concerning outcomes for the quality of life for people with long-term conditions in 2014. The NHS Outcomes Framework uses a standardised tool designed to measure health outcomes, taking into account mental and physical wellbeing (the EQ-5D™)[38]. It uses a scale of 0-1, with 1 representing the most positive health outcome. In the latest survey year of 2013-14, people with only one long-term condition had, on average, an EQ-5D™ value of 0.809 while, on average, people with four or more long-term conditions had an EQ-5D™ value of 0.355. The trend for people with one or two long-term conditions is relatively stable over time. A small increase in quality of life can be seen for people with three or more long-term conditions from 2011-12 to 2012-13 while for people with four or more long-term conditions the average value rose from 0.319 in 2011-12 to 0.355 in 2013-14.

122. Turning to areas of improvement, for the first time more than half of those estimated to have dementia (52.5%) were diagnosed in 2013-14. The NHS and Public Health Outcomes Framework joint indicator concerning employment of people with long-term conditions remained the same in the third quarter of 2014. The gap between the employment rate of people with mental illness and the population employment rate decreased from the second quarter of 2014 (36.8%) to the third quarter of 2014 (36.4%). However, the proportion of people feeling supported to manage their condition worsened in 2013-14 while the health-related quality of life for carers also fell.

123. Outcomes related to helping people recover from episodes of ill health or following injury have been encouraging. Emergency admissions for acute conditions decreased nationally from 2012-2013 (1204.3 per 100,000) to 2013-14 (1195.7 per 100,000). However, the rate

[37] For some indicators the latest available data are for 2013/14 or for part of the 2014/15 financial year.
[38] The EQ-5D™ is a registered trademark of EuroQol. Further details are available from http://www.euroqol.org.

is still high in comparison to earlier years and the trend remains adverse. The improvement areas were also positive. For example, the proportion of patients recovering to their previous levels of mobility/walking ability improved at both 30 and 120 days between 2012 and 2013 with the percentage at 30 days increasing from 21.7% to 24.0% and the percentage at 120 days increasing from 47.3% to 50.3%. Furthermore, the proportion of older people still at home 91 days after discharge from hospital into reablement/rehabilitation, a shared indicator with the Adult Social Care Outcomes Framework, also increased in 2013-14. The total health gains as assessed by patients for elective procedures was more divergent, with hip and knee replacements both improving, while groin hernia and varicose veins both deteriorated in 2012-13.

124. New data related to patient experience has shown mixed results in 2013-14. One of two overarching indicators, patient experience of primary care, showed slight deteriorations concerning GP services but improvements in NHS dental services. The other indicator, patient experience of hospital care, showed improvements in 2013-14. On improvement areas, the average score for A&E services at national level also rose from 79.1 in 2012 to 80.7 in 2014. There were confirmed adverse trends in some other areas, such as access to GP services, which fell from 76.3% in 2012-13 to 74.6% in 2013-14, while there was a drop from 77.3% in 2012 to 75.9 % in bereaved carers reporting that the quality of care in the last 3 months of life was outstanding, excellent or good. By way of context, data from the British Social Attitudes Survey for England, Scotland and Wales suggests public satisfaction with the NHS has been gradually rising since 2010. According to the Survey, which is not used for the NHS Outcomes Framework but provides a context, 65% of people in the UK are satisfied with the NHS, an increase of 5% on the 2013 figure, to reach its second highest figure on record. In addition, the percentage dissatisfied has reduced from 22% in 2013 to 15%, the lowest percentage on record.

125. Finally on patient safety the two overarching indicators are under development. However, there were considerable improvements in the number of patient safety incidents reported in the first half of 2014. In addition, the incidence of healthcare associated infection (HCAI) in both MRSA and c.difficile continued to decline, with the total decline since 2008-09 being 70.6% for MRSA and 75.9% for c.difficile respectively. However, there were adverse trends for the new indicator of deaths from venous thromboembolism (VTE) related events.

126. At the end of March DH published an inequalities update to the NHS Outcomes Framework 2015-16 setting out the 11 indicators chosen for health inequalities assessment. Data from these is not yet available.

The Public Health Outcomes Framework

127. The Public Health Outcomes Framework sets the strategic vision for public health and concentrates on two high-level outcomes we want to achieve across the public health system:

- Increased healthy life expectancy. This is about not only how long we live, (our life expectancy), but also on how well we live, (our healthy life expectancy at all stages of the life course). In 2010-12, healthy life expectancy at birth for males in England was 63.4 years and for females it was 64.1 years.
- Reduced differences in life expectancy and healthy life expectancy between communities. In 2011-13, there was a 9.1 year difference in life expectancy at birth

for males across the social gradient from the most to the least deprived areas in England. The corresponding difference in life expectancy across the social gradient for females was 6.9 years.

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

129. Several of the wider determinants of health are stable or moving in a favourable direction. In 2013-14, there was an increase (from 73.5% in 2012-13 to 74.9% in 2013-14) in the proportion of adults with a learning disability who live in stable and appropriate accommodation. There has been an increase in the proportion of those aged 65 years and over who felt safe walking home alone in their local area after dark, from 61.9% in 2012-13 to 62.8% in 2013-14.

130. Health improvement indicators are generally moving in a favourable direction. In 2013, there was an increase (from 41.6% in 2012 to 45.7% in 2013) in cancer diagnosed at an early stage. There has also been a decrease in conceptions in those under 16 years old, from 5.6 per 1000 females in 2012 to 4.8 per 1000 females in 2013.

131. Health protection indicators are moving in a favourable direction. There has been a 2.4% decrease in the incidence of tuberculosis in 2011-13 when compared to the period 2010-2012. In 2012, treatment completion for Tuberculosis also increased by 1.8% when compared to 2011. In 2013-14, there has been a slight decline in pneumococcal polysaccharide vaccine (PPV) coverage for over 65s.

132. 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 2013-14, the rate of emergency hospital admissions due to falls in persons aged 65 years and over increased by 2.7% when compared to 2012-13.

The Adult Social Care Outcomes Framework

133. 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.

134. 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 2013-14 over 80% of older people who received reablement/rehabilitation support schemes were able to return and live in their own home following a stay in hospital. Furthermore, the number of people permanently admitted to residential and nursing care homes (per 100,000 population) fell in 2013-14 for both working age adults from 15.0 to 14.4 and for older people (65+) from 697.2 to 650.6.

135. A measure of social isolation has been included in the ASCOF 13-14 for the first time, 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. The data shows that in 2013-14, 44.5 per cent of people who used services reported that they have as much social contact as they would like. The latest data available for carers (2012-13) indicated that 41.3 per cent had as much social contact as they would like.

Alignment

136. To improve outcomes, the three frameworks must have shared aims and a shared understanding of what the health and care system is trying to achieve. Each of the outcomes frameworks contains shared and complementary indicators to provide a focus for efforts to improve outcomes across different parts of the system. 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

137. NICE quality standards distil robust, evidenced, best practice guidance into a concise description of a high quality for a particular group of patients or in a particular service area. Between April 2014 and March 2015, NICE published 29 quality standards, including the first quality standards that focus on the role of wider public services in public health. The 2014 Care Act states that as a way of promoting quality, local authorities should consider relevant national standards including those that are aspirational, for example, any developed by NICE.

138. NICE quality standards continue to play an important role in driving quality improvement in the NHS, social care and public health sectors. The CQC has recently introduced changes to the way it carries out inspections and now looks for evidence that health and social care providers are using NICE quality standards in determining whether to award a rating of good or outstanding. NICE quality standards will complement and reinforce CQC Essential Standards for regulating health and social care and will show providers how they can continually improve the quality of care above and beyond CQC standards and aspire to deliver high quality care.

139. The Department of Health and NICE consulted on an initial list of social care topics referred to NICE last year. NICE quality standards will play a critical role in driving quality improvement in social care locally. To support this, the Department has introduced a mechanism whereby providers of social care are able to add flags to their individual NHS Choices Provider Quality Profile (PQP) to show they have adopted recognised quality schemes such as NICE social care quality standards. A more structured approach of a social care topic library is currently being planned to identify future quality standard topics.

140. In September 2014, following a public consultation, the Department of Health referred a library of public health related topics to NICE for guidance and quality standard development over several years.

Health Inequalities

141. Health inequalities continue to be a long-standing challenge. There is a difference in healthy life expectancy at birth of 19 years, and a difference in life expectancy of 9 years for men and 7 years for women, across areas from the most to the least deprived in England (2011-13). There has been little change in these differences in the last decade. Death rates from cancer and cardiovascular diseases are also higher in more deprived areas and the difference in death rates from both these causes between the most and least deprived areas showed little change between 2011 and 2013.

142. The legal duty for the Secretary of State to have regard to the need to reduce health inequalities introduced in the Health and Social Care Act 2012 is a tool to achieve change and sits alongside similar duties placed on NHS England and Clinical Commissioning Groups. Since the duty came into effect in April 2013, the focus has been on putting systems in place to drive action to reduce health inequalities in the short and long term. The criteria that Secretary of State has set for assessing his and NHS England's fulfilment of the duties to date have focused on making the need to reduce health inequalities a part of core business through appropriate governance, strategy, leadership, evidence, monitoring and partnership arrangements. This builds on earlier work to include the need to reduce health inequalities in the NHS Constitution, the mandate to NHS England, Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategies

143. High level indicators on health inequalities were included in the Public Health Outcomes Framework from its inception, overarching the whole framework. For the NHS Outcomes Framework, in 2014-15 the Department consulted on a set of measures against which specific progress on tackling health inequalities could be assessed. These measures were published in March 2015, an important addition to the NHS monitoring and assurance framework for health inequalities.

144. The Government recognises the high degree of challenge in reducing long-standing and deeply embedded health inequalities. 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 2014-15 is that there has been continued good progress. There is much further to go, and across the health system we need to build on the work that has been done to establish health inequalities as a core part of the new health system, in particular to support effective action across all communities based on evidence and knowledge.

Summary of Financial Performance

Key Points

- DH is responsible for the largest Revenue Departmental Expenditure Limit (RDEL) budget in government.
- DH RDEL spending constitutes approximately one third of total government RDEL spending.
- Total Departmental Expenditure Limit (TDEL) Spending Growth is 1.1% over 2013-14 and 5% over 2010-11.
- DH maximised available resources against the RDEL and Capital Departmental Expenditure Limit (CDEL) controls.

Introduction

145. Spending controls for all government departments are set in HM Treasury's Spending Review and approved by Parliament as part of the Supply Estimates process. This following section explains the DH's performance against these spending controls.

146. The DH is one of the largest and most complex government departments, consolidating the spending of over 450 organisations, with some of the largest budgets in government.

147. Despite the financial challenge faced in 2014-15, spending was contained, whilst being maximised, within the key Revenue and Capital DEL controls. The following table provides a brief explanation of each control and summarises the varying spending outturns.

Table 2: DH Departmental Expenditure – Spending Controls

	2014-15 £m
Total Managed Expenditure (TME)	**115,802**
Total spending by DH, including all spending within and outside of budgetary control.	
Total Departmental Expenditure Limit (TDEL)	**113,345**
Total spending by DH, excluding AME and DEL depreciation & impairments.	
Revenue Departmental Expenditure Limit (RDEL)	**110,554**
The control total for which current revenue expenditure, net of income, must be contained.	
Capital Departmental Expenditure Limit (CDEL)	**3,951**
The control for which capital expenditure, e.g. fixed assets additions and capital grants, net of capital disposals must be contained.	
Annually Managed Expenditure - Revenue (RAME)	**3,419**
A technical control 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.	
Annually Managed Expenditure - Capital (CAME)	**(5)**
A technical control for items that HM Treasury have deemed to be demand-led or exceptionally volatile. For DH, entirely relates to costs associated with the sale of Plasma Resources UK and the Credit Guarantee Finance scheme.	
Administration (Admin)	**2,781**
Administration budgets cover the costs of all central government administration, excluding depreciation and the costs of direct frontline service provision.	

148. The following sections provide an expanded breakdown of these spending controls.

Total Departmental Expenditure Limit TDEL

149. Total DEL is calculated as the sum of Revenue Departmental Expenditure Limit (RDEL) plus Capital Departmental Expenditure Limit (CDEL) less depreciation.

150. In 2010, the Coalition Government made a commitment to increase the level of Health expenditure in real terms in each year of this Parliament. This commitment is measured against the Department's TDEL, which is a spending measure consistent with HM Treasury's presentation of departmental expenditure in its publications.

151. Table 3 below sets out TDEL expenditure from 2010-11 onwards. This illustrates how in 2014-15, TDEL spending is 1.1% higher in real terms than in 2013-14 (prior year) and cumulatively 5% higher in real terms than in 2010-11.

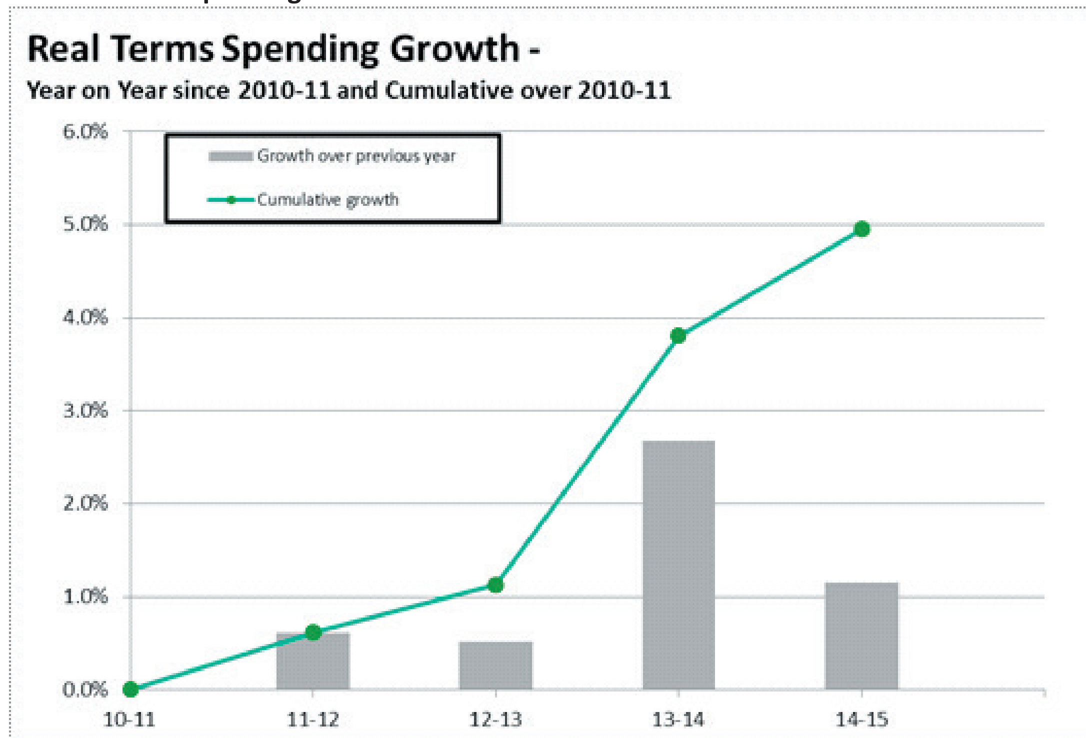
Table 3: Total Departmental Expenditure Limit Spending

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
TDEL spending	**100,418**	**102,844**	**105,221**	**109,774**	**113,345**
Growth Nominal (£)	-	*2,426*	*2,377*	*4,553*	*3,570*
Growth Nominal (%)	-	*2.4%*	*2.3%*	*4.3%*	*3.3%*
TDEL spending in 14-15 prices	**107,877**	**108,540**	**109,096**	**112,014**	**113,301**
Growth Real (£)	-	*663*	*556*	*2,917*	*1,287*
Growth Real (%)	-	*0.6%*	*0.5%*	*2.7%*	*1.1%*
Cumulative growth over 10-11					
Growth Real (£)	-	*663*	*1,219*	*4,136*	*5,424*
Growth Real (%)	-	*0.6%*	*1.1%*	*3.8%*	*5.0%*

1. Cumulative growth figures are against the 2010-11 baseline
2. GDP Deflators at 2nd April 2015 used to calculate real terms growth

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

Figure 3: Real Terms Spending Growth



Revenue Departmental Expenditure Limit (RDEL)

153. The Department's RDEL expenditure in 2014-15 was £110,554 million, which represents an underspend of £1.2 million (0.001%) against the RDEL control.

Table 4: Revenue DEL

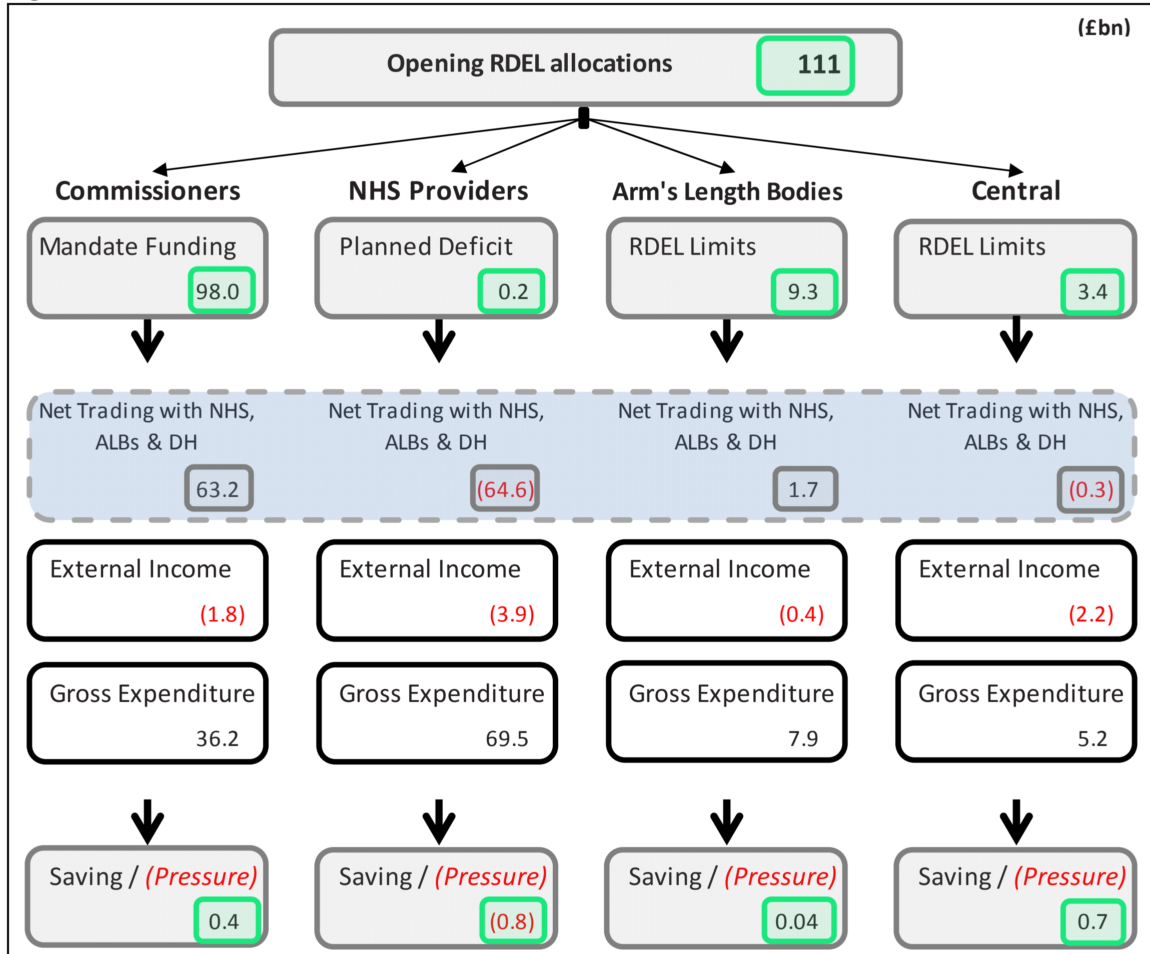
	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
RDEL Budget	98,567	101,092	104,097	106,801	110,556
RDEL Spending Outturn	**97,469**	**100,266**	**102,570**	**106,495**	**110,554**
Underspends (£m)	*1,098*	*826*	*1,527*	*305*	*1*
Underspends (%)	*1.114%*	*0.817%*	*1.467%*	*0.286%*	*0.001%*

1. 2010-11, 2011-12 & 2012-13 figures have been adjusted to exclude both Personal Social Services Grant and Learning Disability Grants, responsibility for which transferred to Department Communities and Local Government as part of a machinery of government change in 2013-14.
2. Please note figures may not sum due to rounding

154. The total 2014-15 RDEL spending outturn is the consolidated spending of all bodies within the departmental group, of which £1,160 million relates to spending on depreciation and impairments, whilst £109,394 million is other non-depreciation type spending.

155. Figure 4 below provides an illustrative breakdown of the RDEL spending within the DH group, split by the main sectors.

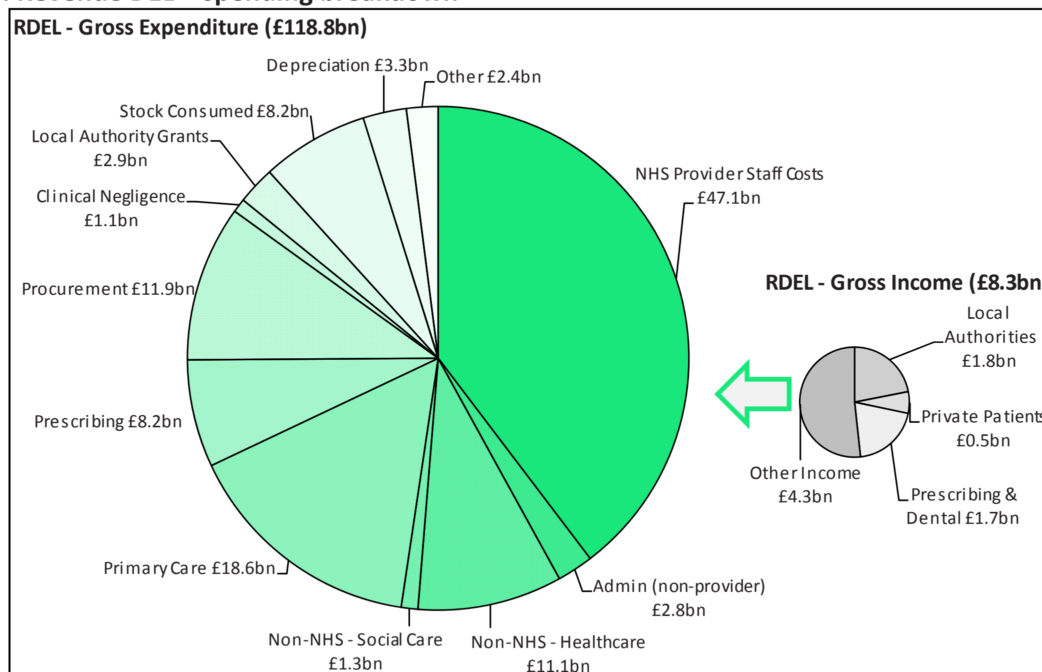
Figure 4: Revenue DEL – sector breakdown



156. At the beginning of the year there was a system-wide over-commitment of approximately £500 million, mainly due to additional NHS funding requirements. During the year significant pressures arose in the NHS provider sector and the DH provided additional non-recurrent funding to help mitigate these pressures. Despite this, a small underspend was delivered in 2014-15.

157. The RDEL control is set on spending net of income, and in 2014-15 the DH group received £8.3bn of RDEL income from varying sources. The majority of spending in the DH group, after consolidation, sits in the NHS Provider sector, with the majority of that being spent on staff and the procurement of supplies and services to deliver healthcare. The following graph shows a breakdown of the type of spending and income within the group.

Figure 5: Revenue DEL – spending breakdown



RDEL Administration

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

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

160. Table 5 below provides a comparison of the 2014-15 administration outturn against the revised impact assessment for the Health and Social Care Act 2012.

Table 5: DH Administration

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
Administration Total per Trajectory	4,500	3,969	3,811	3,553	3,337
Administration Outturn	**0**	**3,307**	**3,502**	**3,036**	**2,781**
Under / (Over) Spend	*0*	*662*	*309*	*517*	*556*

1. Administration figures do not include depreciation.

161. Administration costs in 2014-15 are £556 million lower than forecast in the Impact Assessment because:
    - the Health and Social Care Act 2012 reforms continue to deliver faster administration reductions allowing for more spending on direct frontline services;
    - transition/reform related costs in 2014-15 were lower than originally forecast.

162. The Department has more than achieved the one third real-terms reduction in total administration costs as per the original request in the 2010 Spending Review.

Capital Departmental Expenditure Limit (CDEL)

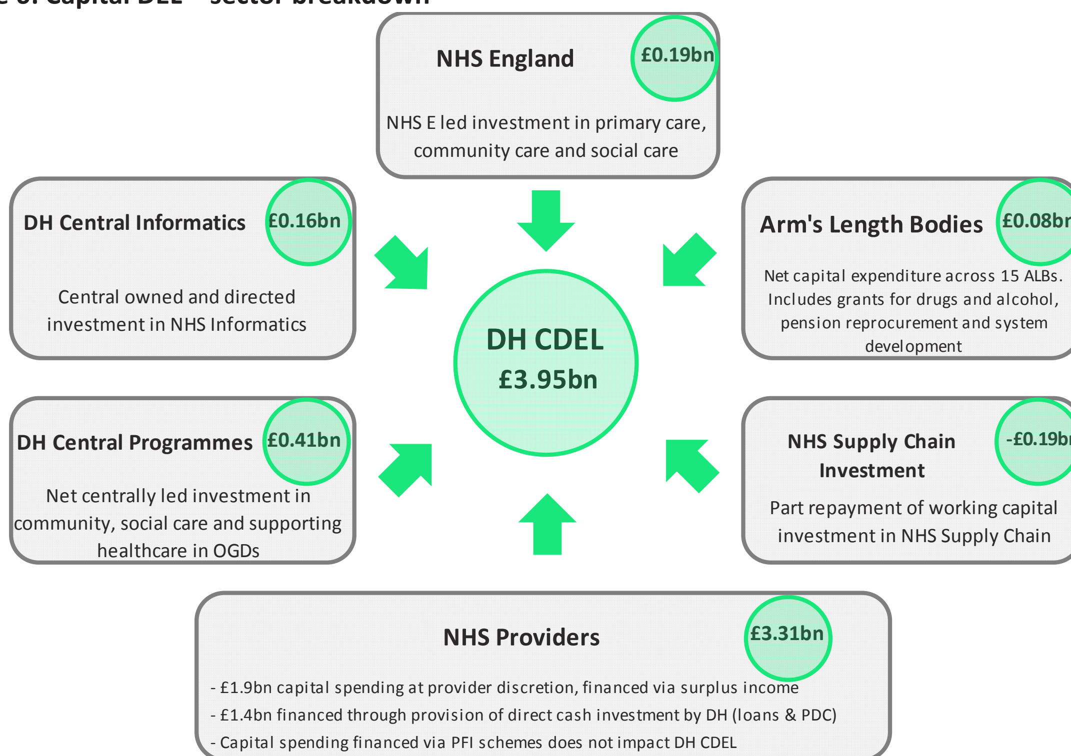
163. The Department's CDEL expenditure in 2014-15 was £3,951 million, which represents an underspend of £63 million (1.6%) against the CDEL control.

Table 6: Capital DEL

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

164. The total 2014-15 capital spending outturn is the consolidated spending of all bodies within the departmental group, illustrated in Figure 6 below by main sector.

Figure 6: Capital DEL – sector breakdown



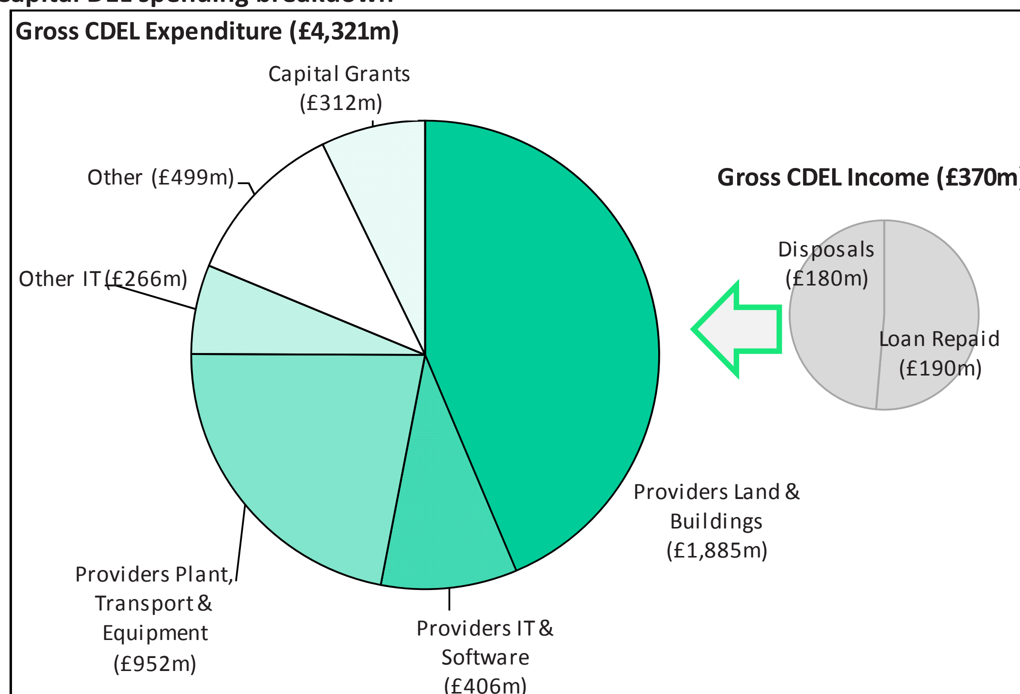
165. The vast majority of the DH's Capital DEL budget is spent by NHS providers on infrastructure and technology projects. The DH supports this spending by providing financing to NHS providers through loans and Public Dividend Capital, whilst leading on specific initiatives to improve efficiency in the NHS via informatics and technology projects. 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.

166. In 2014-15, the NHS Business Services Authority (BSA) received a partial repayment of a working capital loan, which was originally issued to NHS Supply Chain in 2011-12 to provide financing for capital equipment purchases and help to deliver significant savings to the wider NHS.

167. The following chart summarises the distribution of capital spend in 2014-15.

Figure 7: Capital DEL spending breakdown



168. At the Supplementary Estimate stage, £640m was transferred from the Capital DEL budget to the Revenue DEL to help mitigate the emerging pressures in the NHS provider sector. The DH looked at all areas of revenue and capital spending, and took the opportunity to re-prioritise some spending to support frontline services. The transfer was facilitated by unutilised capital funds across the system, by releasing resources from areas where there were no clear plans for spending this year, and no capital spending programmes were affected by the reduction to the Capital DEL budget.

Annually Managed Expenditure (AME)

169. Details of the 2014-15 AME budget and expenditure are set out in table 7 below, which shows the Department underspent by £3,187 million (48.2%) against its final Revenue AME budget in 2014-15 and by £20 million against the final Capital AME budget.

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

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
Revenue AME Budget	4,844	3,943	5,868	5,502	6,606
AME Outturn	**3,207**	**3,193**	**5,775**	**4,261**	**3,419**
Revenue AME Underspends	*1,637*	*750*	*93*	*1,241*	*3,187*
Revenue AME Underspends %	*33.8%*	*19.0%*	*1.6%*	*22.6%*	*48.2%*
Capital AME Budget	4	-	-	120	15
Capital AME Outturn	**8**	**-**	**-**	**(70)**	**(5)**
Capital AME Under/(Over) spends	*(4)*	-	-	*190*	*20*
Capital AME Under/(Over)spends	*-122.5%*	-	-	*158.2%*	*132.9%*

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

171. Overall, the 2014-15 Revenue AME underspend can be attributed to three key areas:
    - the expected net provision position for NHS Litigation claims was not as high as anticipated;
    - the level of NHS Provider impairments was below the Department's most prudent estimates; and
    - the levels of net new provisions, resulting from legacy liabilities inherited by the Department, were not as material as expected.

172. As in 2013-14, the Department set a Capital AME budget in relation to the sale of Plasma Resources UK, against which a small underspend arose. In addition, DH received a £12 million repayment of a Credit Guarantee Finance loan, which also scores to the Capital AME control.

173. The Departments' 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. DH AME spending is untypical when compared to most government department's AME spending which normally will impact on the fiscal framework as the same way as DEL spending.

Financial Performance – Commissioning

Key Points

- Commissioners hold 89% of the total DH revenue budget.
- 2014-15 RDEL funding allocation 3% higher than 2013-14.
- Despite increasing cost pressures NHS England spending contained within controls.
- £189m spending on capital projects.

174. In the mandate to NHS England for 2014-15, NHS England was allocated a total revenue budget (including depreciation) of £98,499 million. This budget is inclusive of £867million cumulative historical surpluses carried forward, of which NHS England were expected to

utilise up to £400 million to support spending non-recurrently, leaving a minimum cumulative surplus at 31st March 2015 of £467 million. During the year the DH provided additional funding of £740 million:

- £450 million to ease Winter Pressures
- £250 million to help reduce waiting times
- £40 million relating to Mental Health

175. This resulted in a final revenue funding allocation of £98,032 million, of which £160 million was to cover depreciation spending, compared to the £95,213 million allocation in 2013-14. Against this final allocation, NHS England underspent by £375 million. In addition, NHS England received £270 million for spending on capital projects, against which an underspend of £81 million was delivered. Financial performance against these budgets is summarised in Table 8 below.

Table 8: 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 -									
Recurrent	160	97,349	**97,509**	**160**	**97,349**	**97,509**	*0*	*0*	***0***
Non-recurrent	0	250	**250**	**0**	**250**	**250**	*0*	*0*	***0***
Additional Non-recurrent	0	740	**740**	**0**	**740**	**740**	*0*	*0*	***0***
Surplus	0	(467)	**(467)**	**(87)**	**(755)**	**(842)**	*87*	*288*	***375***
Total	**160**	**97,872**	**98,032**	**73**	**97,584**	**97,657**	***87***	***288***	***375***
ii) Capital DEL -									
							Plan £m	Outturn £m	*Variance £m*
Mandate Funding							**270**	**189**	***81***

176. NHS commissioners' primary responsibility is the planning and purchase of NHS services to meet the health needs of the population from all types of healthcare providers. The vast majority of these services are purchased from NHS providers (NHS Trusts and Foundations Trusts), however over £10 billion of these types of services were purchased from non-NHS healthcare providers in 2014-15. 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 9: Purchase of healthcare from non-NHS providers, breakdown

	2013-14 £m	2014-15 £m
Independent Sector Providers	6,467	6,913
Voluntary sector	510	526
Local authorities	2,473	2,927
Total spend on all non NHS bodies	**9,450**	**10,367**
Total RDEL	***106,495***	***110,554***
Spend with private sector as a % of total RDEL	*6.1%*	*6.3%*
Spend on all non-NHS bodies as a % of total RDEL	*8.9%*	*9.4%*

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 score as expenditure in accounts as provisions arise, only scoring to DEL when paid.

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

Financial Performance – NHS providers

Key Points

- Increased demand for health services as a consequence of the ageing and growing population, new drugs and treatments and safer staffing requirements have created unprecedented expenditure pressures.
- 131 NHS providers ended 2014-15 with an underlying financial deficit.
- Extra £1.4 billion non-recurrent support funding provided during the year.

178. At the financial year end, there were 90 NHS Trusts in operation, plus 6 NHS Trusts that achieved Foundation Trust status during the year and a further 3 that were dissolved during the year. There were also 150 Foundation Trusts, plus a further 3 that were dissolved during the year, aggregating to a total of 252 provider organisations that produced accounts during the year.

Revenue DEL Spending

179. The provider sector ended the year with a revenue DEL outturn of £1,041m, which was £790m above the planned forecast. The following table provides a breakdown of this spending.

Table 10: NHS Providers RDEL Breakdown

	2014-15		
	Plan £m	Outturn £m	*Variance £m*
Trusts Deficit	231	484	*(253)*
FT Deficit	20	358	*(338)*
Total Provider Deficit	**251**	**842**	***(591)***
Provisions Adjustment	0	121	*(121)*
Other Adjustments[1]	0	78	*(78)*
Total Revenue DEL	**251**	**1,041**	***(790)***

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

180. Despite the difficult fiscal position the NHS received funding protection in the spending review settlement 2010, and DH spending has averaged 1.5% real growth over the three years 2012-13, 2013-14 and 2014-15.

181. Table 11 shows that over the past three years, average expenditure growth in the provider sector has averaged 2.2% real, 0.7% higher than overall RDEL expenditure.

Table 11: NHS provider income and expenditure growth

	2012-13 £m	2013-14 £m	2014-15 £m
Nominal Growth - Income (%)	3.8%	3.2%	3.0%
Nominal Growth - Expenditure (%)	3.7%	4.2%	4.0%
Real Terms Growth - Income (%)	2.2%	1.2%	1.3%
Real Terms Growth - Expenditure (%)	2.0%	2.1%	2.3%

182. This table also shows that expenditure is growing at a higher rate than income levels and this is reflected in the increasing net financial deficit for the sector.

183. NHS providers ended 2014-15 with a net financial deficit of £842m, which included non-recurrent income support (see para 185 below) from NHS England and DH of £353m, meaning that the underlying deficit for the sector was £1,195m:
    - NHS Trusts reported a net financial deficit of £484 million, which compares to a net deficit of £241 million in 2013-14; and
    - NHS Foundation Trusts reported a net deficit of £358 million, which compares with a net surplus of £108 million in 2013-14.

Table 12: Summary of NHS Provider surplus/deficit

	2014-15					
	Deficits		Surpluses		Net	
	number	£m	number	£m	number	£m
NHS Trusts						
Underlying Deficit/Surplus	52	(823)	47	112	99	(711)
Adj - Non-recurrent Support Income	*(10)*	*198*	*10*	*29*	*0*	*227*
Reported Net Deficit/Surplus	**42**	**(625)**	**57**	**141**	**99**	**(484)**
Foundation Trusts						
Underlying Deficit/Surplus	81	(704)	72	219	153	(484)
Adj - Non-recurrent Support Income	*(4)*	*66*	*4*	*61*	0	*126*
Reported Net Deficit/Surplus	**77**	**(638)**	**76**	**280**	**153**	**(358)**
Net Provider Sector						
Underlying Deficit/Surplus	133	(1,526)	119	331	252	(1,195)
Adj - Non-recurrent Support Income	*(14)*	*263*	*14*	*90*	0	*353*
Adj - double count of Part Year FTs	*(2)*	*0*	*(4)*	*0*	*(6)*	*0*
Reported Net Deficit/Surplus	**117**	**(1,262)**	**129**	**420**	**246**	**(842)**

1. NHS Trusts numbers include 6 NHS Trusts that became FTs in 2014-15. The net provider total has been adjusted to remove the double count of these Part Year FTs.

184. Despite the unprecedented financial pressure faced by the NHS Provider sector in 2014-15, 115 NHS providers delivered an underlying financial surplus and 131 NHS providers ended the year with an underlying financial deficit.

185. The significant financial challenge this year saw pressures mainly relating to the increasing demand for health services as a consequence of the ageing and growing population, new

drugs and treatments and safer staffing requirements. To help, in 2014-15, over £1.4 billion of additional non-recurrent funding was provided to NHS providers, the majority via NHS England plus some directly from DH, for the following reasons:

- up to £700 million provided to enable resilience to NHS pressures through the winter (via NHS England);
- up to £250 million to target and reduce those 'long waiters', as part of a managed breach of the 18-week Referral to Treatment standard (via NHS England);
- up to £40 million to support Mental Health as a package to facilitate implementation of other deliverables, including specific access standards and waiting times to be introduced in 2015-16 (via NHS England);
- £96 million funding to support those NHS providers merging or taking responsibility for the activity previously managed by dissolved NHS Trusts or FTs (via DH);
- £353 million of non-recurrent funding relating to deficit support payments (£176m) and payments to providers of high cost specialised services (£177m) (via both DH and NHS England).

186. The Department has a range of financing options available to NHS Trusts and NHS Foundation Trusts (FTs) requiring interim support (mainly cash). These are used to provide transitional financial support to an FT or NHS Trust in financial difficulty where it is necessary to support the continued delivery of safe services for a period during which an assessment of the underlying problem is carried out and a Recovery Plan is developed which forecasts a return to a financially sustainable position.

187. DH has issued £176m of the deficit support as income to a selection of NHS Trusts where there is confidence that the trusts will recover and can be incentivised to deliver a better position. This has the presentational effect of reducing or removing the deficit but the underlying deficit position still remains until the trusts are in recurrent balance and are no longer needing financial support. NHS Foundation Trusts are not eligible for this additional income but many of those in deficit are receiving cash support from the Department.

188. During the second half of 2014-15, the Department developed and started to implement a new range of debt options for NHS Trusts and FTs, as well as a new form of Public Dividend Capital (PDC) to finance revenue deficits, primarily for NHS Trusts. The products are designed to be used in combination and deployed flexibly, on a case by case basis, to reflect the nature of interim financing requirements. These arrangements ensure that the full cost of recovery is considered at the point a Recovery Plan is produced and at this stage the affordability of continuing debt will be considered. Where a trust is in receipt of interim support, the Department can also require that a trust board agrees to terms and conditions covering the operational management of the NHS Trusts or FT, including but not limited to the implementation of specific proven strategies aimed at reducing costs and/or releasing cash.

Capital DEL

189. NHS provider Capital DEL spending in 2014-15 was £3,307 million and the following table provides a breakdown of the NHS Provider capital spending.

Table 13: NHS Trust Capital DEL spending breakdown

	2014-15		
	Plan £m	Outturn £m	*Variance £m*
NHS Trusts - local capex	1,347	1,257	*90*
FTs - local capex	2,293	1,776	*517*
Major building schemes	72	72	*0*
DH-led spending initiatives	219	217	*2*
NHS Charities	0	(15)	*15*
Total Capital DEL	**3,932**	**3,307**	***625***
DH central slippage assumption	*(594)*		*(594)*
Total Capital DEL	**3,338**	**3,307**	***31***

190. As with previous years, the NHS Provider sector underspent materially against local capital plans. However, the Department prudently assumed a level of slippage (c£600 million, as above) against the 2014-15 planned capital expenditure based upon historical trend analysis as per plan figures in Table 13 above. A central reserve was held to protect against any potential overspends resulting from inaccurate slippage analysis.

191. Whilst the boards of NHS providers are responsible for planning and controlling the majority of their own capital spending, the Department does have direct input into an element of their capital spending, which in 2014-15 included:
   - major building schemes such as the redevelopment of hospitals in North Cumbria, East and North Hertfordshire and North Middlesex NHS Trusts;
   - the Integrated Digital Care Technology Funds programme and the Nursing Technology Funds programme which were established in 2013 to help improve the digital maturity of health and care services and to help free up nurses' and midwives' 'time to care';
   - Proton Beam Therapy – new treatment facilities for specialist cancer therapy;
   - other centrally led spending initiatives, such as to improve birthing environments and mitigate seasonal pressures.

192. To support these initiatives the DH provided cash financing, in the form of Public Dividend Capital (PDC), directly to NHS Trusts and FTs and Table 14 below provides a breakdown of this financing.

Table 14: Financing provided for DH-led Provider capital spending initiatives

	NHS Trusts £m	FTs £m	*Total £m*
Major Building Schemes	52	20	*72*
Improving Birthing Environments	2	3	*6*
Nursing Technology Fund	10	18	*27*
Safer Hospitals Technology Fund	49	99	*148*
Integrated Digital Care Fund	3	12	*15*
Proton Beam Therapy	0	10	*10*
Other	9	2	*11*
Total Capital DEL	**125**	**164**	***288***

Financial Performance - Arm's Length Bodies

Key Points

- ALBs role in supporting DH as steward of the health and care system is more crucial than ever.
- In 2014-15, our ALBs spent £9.2bn, 8% of the total DH revenue budget. The majority of this spending is by PHE and HEE on:
- PHE - providing national leadership and expert services to support public health and respond to health protection emergencies.
- HEE - ensuring that the current and future healthcare workforce have the right skills mix and training to improve the care patients receive.

193. The summarised DEL financial performance for the Department's arm's length bodies (not including NHS England (see above)) is shown in the table below.

Table 15: Summarised Financial Position for DH's Arm's Length Bodies in 2014-15

	Plan £m	Outturn £m	*Variance £m*
RDEL Spending -			
Public Health England	737	727	*9*
Public Health Local Authority Grants	2,794	2,795	*(1)*
Health Education England	4,929	4,907	*22*
Other ALBs	752	702	*51*
SubTotal	**9,212**	**9,131**	***81***
RDEL depreciation	61	106	*(45)*
Total RDEL	**9,273**	**9,237**	***36***

194. Our 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.

195. At a time of unprecedented cost pressures facing NHS providers, effective financial management across the rest of the Departmental group was vital in order to manage the overall financial position and ensure maximum resources were available for frontline patient care.

196. Across the ALB sector, we have seen an increased focus on in-year financial management and greater use of risk sharing arrangements. There has also been a natural reduction in spend due to the tightening of system-wide financial controls across consultancy, professional services and re-prioritisation of resources outside of agreed business plans.

197. Much of the ALB variance can be attributed to slower than expected implementation of projects, delays in recruitment and greater use of in-house capacity. HEE in particular have reported significant underspends, largely attributed to slippage on GP trainee recruitment and the non-recurrent impact of a change to the start date for dental trainees. They have also absorbed all redundancy costs associated with their 'Beyond Transition' programme which has avoided placing additional financial burden on the wider group position.

198. Overall, our arm's length bodies operated within DEL spending limits set by the Department, delivering savings of £36 million 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.

Department of Health Financial Performance

Key Points

- Savings of £662m achieved to mitigate NHS pressures
- Key programmes delivered despite savings

199. To help mitigate the significant financial pressures in the NHS and help manage spending within overall control limits set by Parliament and HM Treasury, the DH have sought to actively manage the spending position by re-prioritising spending to support frontline services from areas where savings have arisen and where there were no clear plans for spending this year.

200. Specifically, the DH have:
- secured £250 million from HM Treasury via a reserves claim;
- transferred £640 million from savings made in the Capital budget to the Revenue budget;
- saved £662 million against DH central budgets, without re-cycling those savings on central spending. Table 16 summarises the savings achieved in DH central budgets.

Table 16: Summarised savings on DH Central Budgets

	Plan £m	Outturn £m	*Variance £m*
RDEL Spending -			
EEA	630	461	*169*
Informatics	450	369	*81*
R&D	1,077	1,071	*6*
Provider Support Payments	300	394	*(94)*
Other DH Central Budgets	829	480	*348*
SubTotal	**3,286**	**2,775**	***511***
RDEL depreciation	987	836	*151*
Total RDEL	**4,273**	**3,611**	***662***

201. Within DH Central budgets there has been an increased focus on in-year financial management and reporting. DH Directorates have actively engaged with the central programme budget governance and risk monitoring process and this resulted in savings being identified and recorded as they occurred during the year. This approach enabled the Department to identify and record savings within tight timescales in order to contribute to the DH group position.

202. Spending in the following areas was lower than originally planned for the following reasons :
- EEA – savings due to favourable foreign exchange rates, changes in the methodology for countries reclaiming costs (based on actual healthcare costs as opposed to a formula based on average costs) and the impact of austerity plans in

EU countries, which has had the effect of reducing amounts payable under average costs formula agreements.
- Informatics - the overall underspend in the informatics programme portfolio has accrued from a combination of changes to planned activity, and a focus on costs and risks that have resulted in activities being delivered below budget.
- Other DH Central Budgets – savings due to the release of unspent centrally held contingencies, underspend against the Welfare Foods and School Fruit and Vegetables budgets, DH admin savings, and other central savings arising from natural underspends and active management of spending controls.

203. 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.

Other Financial Performance Information

Government Core Tables

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

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

Departmental Workforce and Policy Information

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

Sustainability of the Department

207. The Sustainability Report can be found within the Directors' Report.

Dame Una O'Brien
8 July 2015
Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

Directors' Report

The Directors' Report as per the requirements of the Government Financial Reporting Manual (FReM) requires disclosure of those having authority or responsibility for directing or controlling the Department as well as details of remuneration and pension liabilities. Information for these requirements can be found in the following sections.

Departmental Board Structure and Governance

208. The outline of the Department's Board and members including Ministers who have had responsibility for the Department during 2014-15, can be found within the Governance Statement. Salary information including pensions is included within the Remuneration Report.

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

Business Review

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

Departmental Workforce and Policy Information

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

Sustainability Report

Introduction

212. The Department is committed to long-term sustainable development, and must ensure that, by delivering better care and wellbeing for the nation in 2014-15, it is also contributing to a strong, healthy and sustainable society for the generations of the future. This fundamental principle underpins the Department's health and social care vision, such that sustainability resonates with both staff and stakeholders.

213. The Government believes that it should set a good example to the country as a whole, by managing its own estate and activities in a way that is compatible with the principles and objectives of sustainability. All central Government Departments are required to report their progress in terms of reducing the environmental impacts of their operations. This is achieved through the Greening Government Commitments (GGC)[39].

Bodies consolidated in the Department's Sustainability Report

214. The ALBs included in the sustainability report are NHS Business Services Authority, Care Quality Commission, Monitor, Health and Social Care Information Centre, Public Health England, and National Institute for Health and Care Excellence. MHRA and NHS Blood and Transplant are excluded as they are categorised as Public Corporations. Also excluded as de minimis are the Human Tissue Authority, Human Fertilisation and Embryology Authority, NHS Litigation Authority and Health Research Authority.

Greenhouse Gas Emissions Performance Commentary

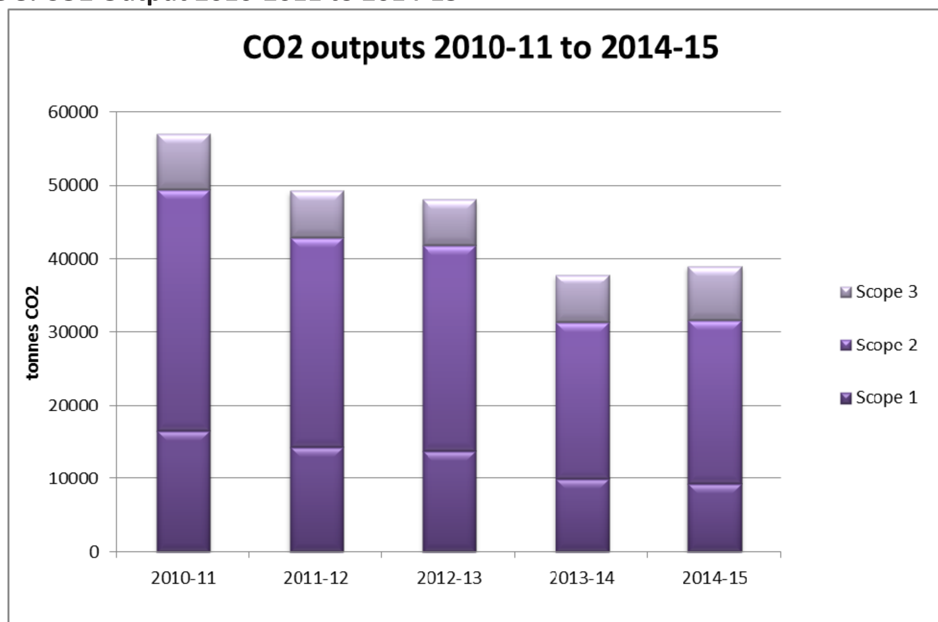
Table 17: Greenhouse Gas Emissions Baseline 2010-11 to 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Non Financial Indicators (CO2 tonnes)					
Total Gross Emissions for Scope 1	16,500	14,387	13,802	9,997	9,269
Total Gross Emissions for Scope 2	32,919	28,500	27,981	21,342	22,376
Total Gross Emissions for Scope 3	7,662	6,400	6,317	6,514	7,376
Total Gross Emissions	**57,081**	**49,287**	**48,099**	**37,852**	**39,021**
Related Energy Consumption (mWh)					
Electricity renewable	14,164	15,219	10,606	32,503	31,873
Electricity non-renewable	55,527	48,924	50,219	15,404	13,399
Gas	75,343	56,872	64,645	43,804	39,651
Gas Oil	3,400	3,853	4,594	4,748	5,838
Total inc other	**149,018**	**126,283**	**131,328**	**97,370**	**91,553**
Financial Indicators (£k)					
Expenditure on energy	8,433	7,592	7,993	7,014	7,272
Carbon ofsetting costs	352	440	458	147	227
Expenditure on offical business travel	21,593	17,996	18,040	18,618	19,876

1. For sustainability reports for individual organisations, please see their own annual report and accounts.
2.The core Department does not report on Quarry House for energy, waste and water. This is included in the sustainability reporting for Department of Work and Pensions.
3. The Department has amended the way it reports on Greenhouse Gas Emissions in line with GGC Guidance

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

Figure 8: CO2 Output 2010-2011 to 2014-15



215. The results presented in Table 17 indicate that DH slightly increased its carbon emissions in 2014-15. Energy consumption has however reduced, although related CO2 emissions have increased due to revised conversion factors being issued.

216. Taking into account figures from the baseline year of 2009-10, the Department has exceeded the 25% reduction by 2015 target.

217. PHE have absorbed NHS Choices and numerous SHAs, with a resulting increase in emissions. Data quality has also improved in areas such as fugitive emissions, with data being captured where it was previously not, with a resulting increase in reported carbon emissions.

218. The Department has undertaken a large programme of co-location, moving arm's length bodies out of leased accommodation into existing Departmental estate. As a result emissions have increased slightly due to the more intensive and efficient use of existing estate.

219. 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.

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

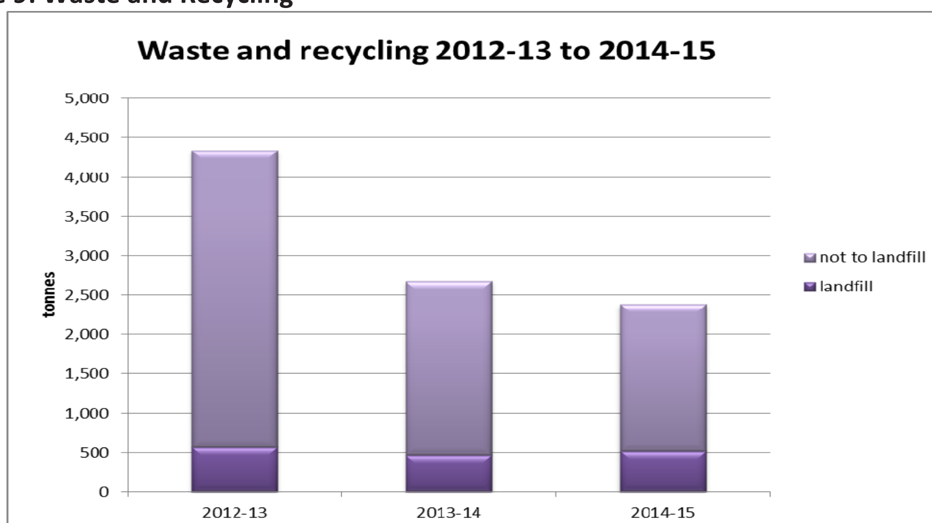
Waste

Table 18: Waste – Financial and Non-Financial Indicators

	2010-11	2011-12	2012-13	2013-14	2014-15
Non Financial Indicators (tonnes)					
Total waste -	**4,022**	**2,841**	**4,337**	**2,679**	**2,395**
Landfill	-	-	573	473	527
Not to landfill	-	-	3,764	2,207	1,868
Incinerated/energy from waste	-	-	*259*	*328*	*316*
Incinerated/energy not recovered	-	-	*378*	*334*	*323*
Financial Indicators (£k)					
Total Disposal cost (minimum requirement)	**927**	**672**	**806**	**868**	**718**
Hazardous Waste - total disposal cost	348	228	244	499	405
Non-hazardous waste - total disposal cost	578	445	561	369	**313**

1. Breakdown of waste data between landfill and non-landfill not collected for 2010-11 and 2011-12.

Figure 9: Waste and Recycling



221. Total waste figures for 2014-15 have decreased since the 2009-10 baseline. The spike in 2012-13 was due to the extensive refurbishment programmes that had been taking place as part of transition to the new Health and Social Care system. The proportion of waste recycled across the DH/ALB estate in comparison to landfill remains high with 78% of total waste recycled, 13% incinerated with energy recovery and 22% to landfill.

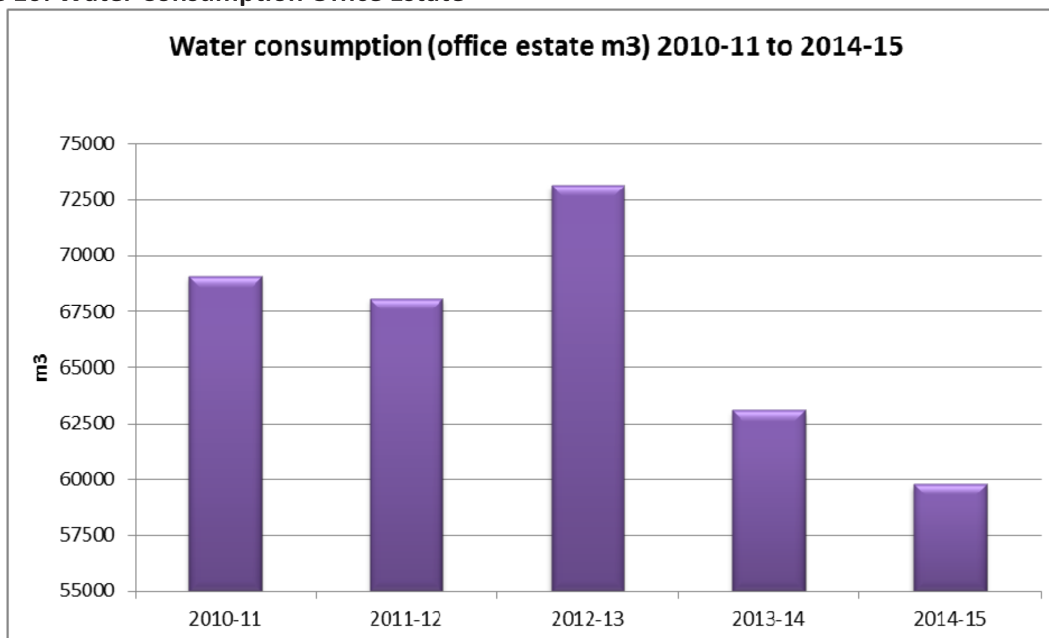
222. The Department offsets 100% of its travel related carbon emissions through the DECC led Government Carbon Offsetting Facility.

Water

Table 19: Water Consumption – Financial and Non-Financial Indicators

	2010-11	2011-12	2012-13	2013-14	2014-15
Non Financial Indicators (m3)					
Water Consumption -					
Office	69,051	68,077	73,132	63,067	59,763
Whole estate	254,719	239,426	297,384	235,336	235,949
m3 per FTE/office estate	7.6	7.5	7.6	6.8	5.5
Financial Indicators (£k)					
Water supply costs	338	302	347	364	345

Figure 10: Water Consumption Office Estate



223. As Table 19 indicates, the Department and its arm's length bodies' water consumption has decreased during the year. The benchmark for water consumption is measured per person on a Full Time Equivalent basis. Our performance has improved from the baseline from 7.9m³ per FTE in 2009-10, to 5.5m³ per FTE in 2014-15. This means the Department is now in the good practice category. This is largely due to the increasingly efficient use of the Departments estate through co-location of arm's length bodies into DH HQ buildings. 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.

Sustainable Procurement

224. The Department has continued to maintain a good level of compliance with Government Buying Standards. Work continues under the facilities management contract to support energy efficiency and carbon reduction.

225. The Department and its arm's length bodies implemented the NQC CAESAR sustainability collection product during 2013-14. The Department has been working closely with NQC and receives a range of sustainability related data in relation to our suppliers. Indirect spend with Small to Medium enterprises is also being collected through this tool.

Climate Change Adaptation

226. In March 2010, the Department published its Climate Change Plan[40]. This sets out the detail of how DH will ensure that climate change issues are addressed as an integral part of both policies and operations.

227. The 2012 DH Public Health Outcomes Framework[41] for England 2013 – 2016, has a specific indicator (3.06) for public sector organisations to have a Sustainable Development Management Plan (approved annually at Board level) in place for their organisation, and be able to demonstrate that sustainable development is embedded within governance, policy making, and all operational and clinical activities. All organisations currently delivering NHS services report on this, and the ambition is to expand this to encompass the wider health and social care system.

228. In view of the 2010 Climate Change Plan and the 2012 Public Health Outcomes Framework we will be looking at how to best take our DH sustainable development and climate change work forward. As part of this, in 2014 we set up a new Director level Sustainable Development and Climate Change Steering Group, chaired by the Department's Deputy Chief Medical Officer who also acts as the Department's Sustainable Development and Climate Change Champion. The setting up of this group and its role and purpose were set out in chapter six of the Department's Corporate Plan 2014-15[42].

229. In addition, the Department in conjunction with the Department of Environment, Food and Rural Affairs has produced a National Adaptation Programme (NAP)[43], which sets out what government, businesses and society are doing to become more climate ready in response to the top risks identified in the first Climate Change Risk Assessment which was laid before Parliament in January 2012[44].

230. In particular, chapter 4 of the NAP looks at 'Healthy and Resilient Communities', which includes actions to climate-proof public health protection plans and improve resilience of health and social care facilities, for example mapping flood risks to Health and Social Care assets.

231. A key part of the Department's national adoption 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. The Heatwave Plan for 2015 was published in May 2015[45].

[40] https://www.gov.uk/government/organisations/department-of-health
[41] http://www.phoutcomes.info/
[42] https://www.gov.uk/government/publications/department-of-health-corporate-plan-2014-to-2015
[43] https://www.gov.uk/government/publications/adapting-to-climate-change-national-adaptation-programme
[44] http://www.defra.gov.uk/environment/climate/government/risk-assessment/
[45] https://www.gov.uk/government/publications/heatwave-plan-for-england

Biodiversity and Natural Environment

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

Procurement of Food and Catering Services

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

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

235. The Department's catering supplier is compliant with the changes to nutritional labelling and provision of allergen information under the EU Food Information Regulations 1169/2011 which came into effect in December 2014.

236. The Department's catering supplier is committed to supporting the Department to meet its Health at Work pledge to provide healthier staff restaurants. They are also fully committed to the Responsibility Deal[46] as a member of the Plenary Group, a signatory to 11 pledges and are also a partner of Change for Life[47].

Sustainable Construction

237. During 2014-15, we have continued our estates rationalisation and refurbishment, enabling continued collocation of a number of the Department's arm's length bodies within Departmental estate. While undertaking the refurbishments, we have included works to improve the operational efficiency of our buildings.

Governance

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

Sustainable Development Unit

239. The Department works closely across Government (i.e. DEFRA, DECC) and, at health and social care level, supports the Sustainable Development Unit (SDU). The Unit assists the health and social care system in developing Sustainable Development Management Plans and making the links between sustainability and health care improvement. The SDU is now working in partnership across NHS England and Public Health England to support the system to reduce carbon emissions, adapt to climate change and to be more sustainable

[46] https://responsibilitydeal.dh.gov.uk/
[47] http://www.nhs.uk/change4life/Pages/change-for-life.aspx

in all its operations and functions. In January 2014, SDU launched The Sustainable Development Strategy for the Health, Public Health and Social Care System 2014-2020. The strategy describes the vision for a sustainable health and care system by reducing carbon emissions, protecting natural resources, preparing communities for extreme weather events and promoting healthy lifestyles and environments[48].

Rural Proofing

240. The Department has been working with DEFRA colleagues to develop and promote the Rural Health Proofing tool[49], designed to share good practice on health and health services in rural areas, with a view to its greater use in the NHS. It has also collaborated with DEFRA colleagues and NHS England about Lord Cameron's rural proofing review and shared developments with Defra colleagues about relevant NHS policy developments, such as the GP's minimum practice income guarantee (MPIG). The Cameron review is not expected to be published until after the general election.

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

[49] https://www.gov.uk/rural-proofing-guidance

Lead Non-Executive Board Member's Report - Peter Sands

Performance and priorities

241. Over the last year the Department of Health has dealt with unprecedented demand and ongoing pressure on public finances while continuing to support the delivery of high quality care. The Department has continued its transition to a 'stewardship' role, steering the health and care system as a whole, responding to the near term challenges, while also shaping the approach to the longer term, strategic issues that the system faces

242. The Board met nine times in 2014-15. Four of the meetings (June, September, January and March) considered the quarterly performance report, financial information and risk management, whilst the other meetings discussed a broad range of strategic issues. Board agendas 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. Given the pressure on public finances, the Board continued to maintain a close watch on the Department's (and thus the system's) finances.

243. The Board's role is to support, as well as challenge, the Department as it executes 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, the roles of innovation and technology and the balance between acute care and community health care provision. They have also helped steer the implementation of important organisational initiatives, such as connecting with the front line and the Departmental Improvement Plan.

244. Topics to which the Board devoted particular attention include:
    a. Maintaining oversight of the performance of the system, ensuring that outcomes and patient care are core to the Department's agenda. To help drive the focus on frontline delivery, the Board visited Foundation Trusts, Clinical Commissioning Groups and GP practices to gain deeper understanding of the impact of the reforms, the new system and recommendations from the Francis review. Two Non-executives have continued to be involved in the 'Connecting to patients and people who use services' programme which allows staff in the Department to gain a closer connection to the day-to-day realities of health and care, patients and service users. This has challenged preconceptions of officials and civil servants and improved connections between the Department and the rest of the health and care system.

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

play a more important role in ensuring the future sustainability of the overall health and care system.

c. Continuing progress in improving management information and risk management processes. There has been a marked improvement in the performance data provided to the Board, both financial information and outcomes metrics, but there is still work to be done to increase the alignment and assurance of information across the whole system.

d. The Department's strategic risk register has been kept under continuous review, and Non-executives have offered advice in both the Departmental Board itself and via the Audit and Risk Committee. Discussions about risk have covered broad themes, such as staff and financial preparedness, as well as specific topics, such as pandemic management and winter planning.
The Board has also discussed the deployment of technology in the context of enhancing system efficiency and effectiveness. This has included a deep-dive on the major project portfolio to scrutinise the robustness of project delivery and alignment with the Department's strategy. The whole arena of "informatics" will continue to be a particular focus for the Non-executives, given its importance to achieving significant productivity improvements and advances in quality of care. While most of the focus has been on the potential gains from deployment of technology, the Board has also identified cyber-security as a specific issue requiring further, more detailed, discussion. Data availability, underpinned by transparency, is critical not just for driving performance, providing care professionals the information they need, but also for allowing patients to make informed health and care choices. Alongside these developments, the Board has had a focus on improving transparency, particularly how this is an enabler of patient choice.

e. Ensuring that the system is as efficient as possible, with a particular focus on reinforcing the links between social care, the health care system, and on the public health agenda. Closely related to this, is the work the Board has done supporting the development of better understanding and more collaborative working relationships across the entire health and care system. The arm's length bodies[50] should operate with high quality and independent corporate governance according to their remits. However, they also need to work together to achieve mutually agreed goals for the overall health and care system. This demands a different, and more sophisticated, approach to the way in which relationships with the ALBs have traditionally been managed by the Department. Events such as the six monthly conferences for all ALB Chairs and Non-executives and a series of thematic sessions for specialists have helped create a sense of common purpose across the system as a whole, underpinned by a better understanding of respective roles. Similarly, the Department's Audit and Risk Committee Chair holds an annual event with Audit Committee chairs from across the ALBs to discuss common risks and issues. This allows audit chairs to come to a shared understanding of challenges facing the system, and the way the different parts of the system need to work together to address them.

f. Extensive work has been done on the overlap between new models of health and social care. It is welcome that new patient models, allowing patients to have more

[50] A comprehensive description of the Department's ALBs can be found in the review of arm's length bodies

control of their own health and social care, has been recognised in the Five Year Forward View, but there is much more that can be done in this area, and it will remain an area of focus for the Board. Ensuring that across the system there is a shared commitment to a common purpose anchored around patient needs, continues to be a priority for the Board.

g. Supporting the response to major crises such as the Ebola outbreak. While work is still ongoing, the work by the Department, in partnership with the Departments of Defence, International Development and the FCO, to coordinate a timely and effective response in the UK and Sierra Leone to a terrible outbreak, with potential for global ramifications, was impressive, and has rightly been recognised internationally.

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

Actions from the Board effectiveness review

245. In 2014-15, the Board undertook its third effectiveness review, through a survey and interviews with individual Board members and input from an independent participant. This exercise built on the data and actions from the first two reviews undertaken in previous years, and showed that the Board is making good progress in its core objective of improving the governance of the Department of Health.

246. The evaluation identified some areas for improvement. The Department has a responsibility for setting the strategic direction of the system, and therefore the Board should be in a position to assure Parliament and the public that the Department performs this role adequately. Consequently, the Board should focus more on the wider health and social care system that spans public health, the NHS and social care. The Board needs to further develop bilateral and multilateral relationships with key service delivery and regulatory ALBs. The Board needs to be able to assure itself that the wider system is working as well as it should in delivering improved health and wellbeing outcomes, and in collaborating on wider Government agendas, at the same time as not cutting across other key bodies' own governance and accountability arrangements.

247. The evaluation process identified seven overarching objectives set in 2013 were still relevant to the Board, to help enhance its effectiveness and help deliver against its goals:

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

- Build on the good work already done around composition, succession and logistics to ensure the Board continues to support the work of the Department in the most effective way.

248. Progress towards these objectives has already been made, with the Board spending a large proportion of time addressing the strategic issues affecting the longer term shape, performance and sustainability of the health and care system, discussing the risk management frameworks, and putting greater focus on outcomes for the Department and the system as a whole. Succession planning will be an area of focus for 2015 across the Executive and Non-executive members of the Board.

Forward look

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

Changes to Non-Executive personnel in 2014-15

250. Mike Wheeler's term of appointment was extended for a further six months, from 1 July 2014. His appointment as a member of the Board finally ended on 31 December 2014.

251. Gerry Murphy was appointed as a new Non-Executive member of the Board from 1 August 2014; he took over as Chair of the Audit and Risk Committee from 1 January 2015.

252. On the executive side, Will Cavendish CB joined the Department as Director General for Innovation, Growth and Technology on 3 June 2015 and was a member of the Board from that date. Tamara Finkelstein joined the Department on 29 September 2015 as Director General for Group Operations and Chief Operating Officer, and was also a member of the Board from that date.

253. George Freeman MP was appointed Parliamentary Under Secretary of State for Life Sciences (an appointment shared with BIS) in July 2014, and became a member of the Board upon appointment.

254. The Departmental Board has three committees which are detailed within the Governance Statement. The Executive Board, although not a formal sub-committee of the Departmental Board, reports quarterly to the Departmental Board.

Statement of Principal Accounting Officer's Responsibilities

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

256. 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.

257. 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.

258. 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.

259. 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.

260. 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.

261. 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.

262. The Department published the Accounting Officer System Statement outlining responsibilities in more detail, this was published in October 2014 and will be updated in autumn 2015[51].

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

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

264. 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 herself aware of any relevant audit information and to establish that the Department's auditor are aware of that information.

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

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

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

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

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

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

The Department of Health as 'System Steward'

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

Accountability for the NHS

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

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

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

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

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

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

Commissioning

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

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

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

Accountability for all providers

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

- All providers of health and social care are regulated by the Care Quality Commission. The CQC ensures that providers meet essential requirements for safety and quality
- Monitor is a sector wide regulator whose main duty is to protect and promote the interests of service users by promoting value for money in the provision of healthcare services.

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

Accountability for public sector providers

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

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

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

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

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

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

Accountability for the Department's ALBs

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

- Executive agencies – legally part of the Department, but with greater operational independence than a division within DH itself;
- Special health authorities – NHS bodies which can be created by order, and are subject to the direction, of the Secretary of State. The Health and Social Care Act states any new special health authority must have a time-limited life of three years or less (though this period may be extended further with the active approval of Parliament); and
- Executive non-departmental public bodies, which are established by primary legislation and have their own statutory functions. Their precise relationship with the

Department is defined in legislation, and some NDPBs (particularly the regulators) have greater independence than others.

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

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

Public Health

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

Director's Report

Dame Una O'Brien

8 July 2015

Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London

Governance Statement

Scope of Responsibility

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

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

267. 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.

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

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

Departmental Governance

270. The membership of the Departmental Board is shown in Table 20 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.

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

272. 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 discussions focussing on finance and performance as well as pandemic management and winter planning. There has also been a focus on longer-term risks such as financial sustainability, antimicrobial resistance and NHS workforce. 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.

273. The Departmental Board had met on nine occasions in 2014-15, with an additional all-day visit to the Queen Elizabeth Hospital, Birmingham in May 2014. Four of the meetings over the course of the year were performance meetings, at which the formal quarterly performance report and financial information were discussed. The other meetings were strategy meetings, where a range of issues of strategic importance were considered; the July and November meetings took an in-depth look at strategic issues and risks. The Secretary of State chaired (for all or in part) 3 of the 4 performance meetings.

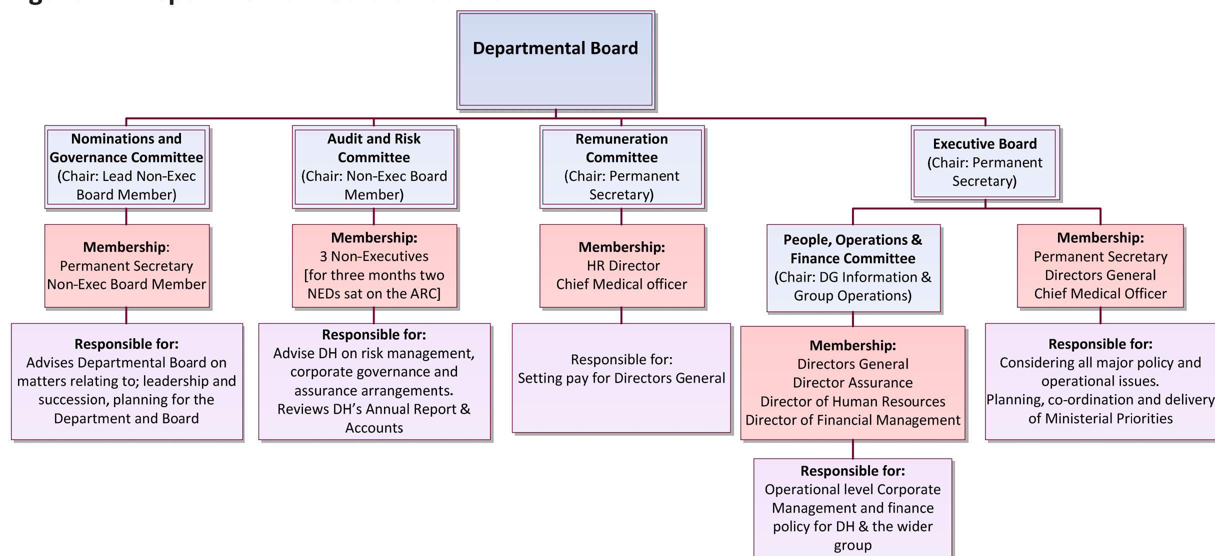
Table 20: Departmental Board Attendance[52]

Member	No. of performance meetings attended	No. of strategy meetings attended	Meetings held during term
Secretary of State for Health	3	0	9
Minister of State for Care Services	3	1	9
Parliamentary Under Secretary of State for Public Health	2	0	9
Parliamentary Under Secretary of State for Health	1	0	9
Parliamentary Under Secretary of State for Life Sciences	2	0	6
Parliamentary Under Secretary of State for Quality (Lords)	2	2	9
Dame Una O'Brien DCB, Permanent Secretary	4	5	9
Dame Sally Davies DBE, Chief Medical Officer	3	1	9
Richard Douglas CB, Director General for Finance & NHS	4	5	9
Jon Rouse, Director General for Social Care, Local Government & Care Partnerships	3	5	9
Dr Felicity Harvey CBE, Director General for Public Health	4	4	9
Charlie Massey, Director General for Strategy & External Relations	3	4	9
Will Cavendish CB, Director General for Innovation, Growth & Technology	4	4	8
Tamara Finkelstein, Chief Operating Officer	2	2	5
Peter Sands, Lead Non-Executive Board Member	4	3	9
Mike Wheeler CBE, Non-Executive Board Member	2	4	6
Catherine Bell, Non-Executive Board Member	4	4	9
Chris Pilling, Non-Executive Board Member	3	5	9
Gerry Murphy, Non-Executive Board Member	2	3	6

[52] George Freeman joined the Board upon his appointment at Parliament Under Secretary of State for Life Sciences on 15 July 2014. Will Cavendish CB was appointed DG for Innovation, Growth & Technology on 3rd June 2014 and Tamara Finkelstein took up the post of Chief Operating Officer on 29 September 2014; both were members of the Board from appointment. Mike Wheeler CBE's term of appointment as Non-Executive Board Member and Chair of the Audit and Risk Committee initially ended on 30th June 2014. It was extended for six months and ended on 31 December 2014. Gerry Murphy was appointed as Non-Executive Board Member and member of the Audit and Risk Committee from 1st August 2014; he succeeded Mike Wheeler as Chair of the Audit and Risk Committee from 1st January 2015. David Williams was appointed DG for Finance on 16 March 2015 and was a member of the Board from appointment. However, no Board meetings took place in 2014-15 after his appointment and therefore he has been excluded from the table on Board attendance.

274. The Departmental Board is supported by the following committees:

Figure 11: Departmental Board Structure



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

276. In addition, the Health and Care System Leaders' Forum (HCSLF) brings together the key system ALB Chief Executives and representatives from the Department who together provide national leadership to the system. The forum comprises NHS England, Monitor, the NHS Trust Development Authority, the Care Quality Commission, Health Education England, NICE, Public Health England and the Health and Social Care Information Centre. As well as providing a mechanism for responding speedily to emerging issues, the forum has allowed the Department's role as steward of the system to further mature.

277. The Departmental Board reviewed its effectiveness in the last quarter of 2014-15. This included an element of external input, as required by the Corporate Governance Code. It concluded that the Board had no significant departures from the requirements of the Corporate Governance Code and had improved the effectiveness of the Department's governance. For 2014-15 the Board's focus was on the strategic direction of the wider health and care system 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. It saw a monthly report on progress of our key delivery commitments, and dedicated an entire meeting to performance and risk in the system.

Assurance Framework, Risk Management and control issues

Core Department

278. 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 DH for the stewardship of resources and ensure the delivery of corporate objectives.

279. 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.

280. SROs are also accountable for the effective management and escalation of risks within their programmes. The Department has been working closely with the 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. The Department is reviewing its plans for portfolio management during Q4 of the current financial year following the appointment of the Chief Operating Officer.

281. In addition letters of appointment from me to the SROs of programmes falling within the Government Major Projects Portfolio were published on the Government website, setting out how each SRO will be accountable for the delivery of the programme. Each SRO has a degree of accountability direct to the Health Select Committee.

282. The Audit and Risk Committee (ARC) has considered the way the Department has managed risk at its meetings during 2014-15. A standing item on all agendas was the scrutiny of 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, the Department's Audit and Risk Committee (ARC) regularly challenges sponsors of ALBs on risk and accountability in respect of our ALBs, particularly in those delivering key commitments.

283. As our role as steward of the system has developed in this second year after transition, our understanding of how we can further build on how we manage risks has developed. Senior officials from the Department are now routinely attending ALB ARC meetings in order to identify linkages between our risks and issues.

284. My governance team have prepared a summary report of the governance and control system in the core Department of Health. The report provided information on the key issues for each Directorate and was drawn from material supplied for Quarterly Core

Accountability Reviews and DGs' assessments of internal control. The report confirmed that the Department has adequate and effective systems of control in place, and that where issues have arisen during the year assurance arrangements were in place to validate that weaknesses were addressed. No significant control issues have been noted.

Role of Internal Audit

285. 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.

286. 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 Department also audit receives 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.

287. 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.

Internal Audit Opinion

288. Following completion of planned audit work so far for 2014-15 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 2014-15.

Arm's Length Bodies

289. Each arm's length body (ALB) has a Senior Departmental Sponsor (at Director-General level). Each ALB has at least quarterly accountability meetings with their sponsor which focus on operational delivery, financial performance, the significant risks for the ALB and how these are being managed. 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. 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. In addition, 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 who produce their own annual Governance Statements. Framework Agreements between each ALB and the Department set out the expectations of each ALB. Performance against these are also discussed at accountability meetings.

290. In relation to NHS England, the Health and Social Care Act 2012 requires the Department to formally set out in a mandate each year the objectives for NHS England. The most recent version was published on 11th December 2014 and came into effect on 1 April 2015. The mandate is the formal accountability mechanism for holding NHS England to account for the money that NHS England and CCGs use to commission healthcare and the outcomes it achieves. In addition to the money NHS England spends directly on commissioning, £67bn is allocated to CCGs for which NHS England is accountable. Ministers continue to be accountable overall for the health service as a whole.

291. Each DG has considered the governance issues reported by their sponsored arm's length bodies. They equally consider any issues that have arisen in their quarterly accountability meetings with their ALBs.

292. As outlined in this Annual Report, during 2014-15 NHS England delivered a significant amount of work that has benefitted patients and the users of services. As a relatively newly formed organisation NHS England has made some progress on evolving its system of internal control, but has identified areas which require further strengthening as outlined in its own Annual Governance Statement for 2014-15. The Department supports the work outlined by NHS England to develop these areas further.

293. This also includes tightening the controls and management of off-payroll workers. HM Treasury applied a sanction of £470,740 on the Department of Health relating to engagements by NHS England in respect of the assurances over the tax arrangements for this group of workers during 2013-14, which have also been disclosed in NHS England's Annual Report and Accounts.

NHS

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

295. 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.

Key Governance Issues

Financial Risk and Sustainability

296. Some NHS providers (both NHS Foundation Trusts and NHS Trusts) have experienced financial difficulties in 2014-15 and revenue deficit support was issued by the Department to 53 of the FTs and NHS Trusts in financial difficulty, dependent on them developing and delivering recovery plans, to make sure they continue to deliver safe and quality services for patients. The Department is working closely with Monitor and the NHS Trust Development Authority (TDA) to keep the position under regular review and to ensure progress is being made towards recovery. The NHS budget has increased in real terms in 2014-15, and has continued to do so, during every year of the current spending review period. Despite considerable cost pressure in the NHS, arising mainly through increasing demand for services, the Department expects to spend within the control limits set by Parliament.

Accident and Emergency and core performance standards

297. As set out in this Annual Report, performance against all operational performance standards (covering A&E admissions, Referral to Treatment and Waiting Times) was challenging in 2014-15. A&E attendances have risen significantly recently, putting pressure on hospitals across the country.

298. The Department worked with NHS England, the Trust Development Authority and Monitor to put in place support to maintain quality.

299. In order to address the challenges associated with the NHS Consultant-led Referral to Treatment standard, an additional £250m was also deployed specifically for elective care, to treat the backlog of long-waiting patients, and to fund additional capacity for the system to return to the 18-week standard on a sustainable footing.

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

NHS Informatics and the Informatics Governance Review

301. New governance arrangements have been implemented for informatics during 2014-15. A National Information Board has been introduced to determine the system wide strategy and direction for informatics; Informatics Portfolio Management Board provides system-wide assurance and portfolio management using HSCIC expertise to support delivery. The new governance arrangements are enhanced by the introduction of tolerances/controls for each DH central programme on both their annualised plans and by activities within their plans, resulting in more transparency of change and supporting more timely and effective consideration of portfolio priorities.

Other Governance Disclosures

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

Information Risk

303. The Department has not identified any major information risk control issues in the year.

304. The Department did not need to formally report any personal data-related incidents to the Information Commissioner's Office in 2014-15. There were five other data-related incidents, but none of these involved personal data. The Department ensured appropriate corrective action following these incidents, reviewing internal processes and updating them where necessary. There were no incidents whose severity required a report to the Information Commissioner. NHS organisations and Department of Health arm's length bodies record data loss incidents in their individual published accounts.

Fraud, including prescription charge fraud

305. On 1 November 2014 the Department created a new Anti-Fraud Unit to co-ordinate the development and delivery of anti-fraud work across Health Group. The unit will act as the sponsor branch for NHS Protect and hold to account those responsible for anti-fraud work across the piece. Once fully established they will produce an annual intelligent assessment enabling the development of prioritised action plans. They will also investigate allegations of fraud within the Health Group that are outside of the remit of NHS Protect, raise anti-fraud awareness and assist relevant DH policy units in designing fraud risks out of DH policies.

306. NHS Protect is the unit in the NHS which leads work to tackle fraud, bribery and corruption affecting the NHS. It will investigate the more complex investigations, as well as providing support and guidance to those with local responsibility for tackling fraud

307. Since April 2013 NHS England has responsibility for tackling prescription fraud at a local level, including relevant negotiations with community pharmacy contractors and agreement of work programmes with the NHS Business Services Authority. During 2014-15 prescription fraud was estimated to have cost the NHS £237m. A range of cost effective action is being taken forward, and in December 2014 a new database to perform strengthened checks for eligibility for free prescriptions was announced. The Department of Health remains responsible for policy on prescription charges, and for the content of the prescription form itself.

308. In May 2012 NHS Protect published results of a NHS loss analysis exercise to evaluate the prevalence of fraud in dental contractor claims in England in 2009-10. The report highlighted a number of key loss risk areas. The results showed that dental fraud is estimated to have cost the NHS £73.1 million in 2009-10. As a result NHS England and NHS Business Services Authority have agreed a work programme to maximise the right behaviour change amongst dentists and take positive action against those dentists where there is evidence of fraud and/or excessive, inappropriate claiming

Compliance with Equality and Human Rights Legislation

309. DH introduced a new, outcomes based, Equality Assurance Framework in April 2013. This included the introduction of Director Level Assurance Leads (DLALs) across the Department. We have subsequently strengthened the framework further through the introduction of Deputy Director Level Assurance Leads who work alongside DLALs, to ensure Directorates are compliant with equalities legislation. DLALs meet with the DG level SRO for Equality in DH on a quarterly basis to discuss any areas of concern. If necessary, issues can be escalated to the DH Executive Board.

310. DH published evidence of our compliance with the Public Sector Equality Duty during 2014 alongside workforce equality data, by 31 January 2015 as required. The Department also published refreshed equality objectives for 2015-2019[53].

311. Director Level Assurance Leads are responsible for assuring the SRO for equality in DH that they are capturing evidence of ongoing compliance throughout 2015 and ensuring equality is embedded into their local business planning processes.

312. Following a review of the Memorandum of Co-operation (MOC) between DH and the Equality and Human Rights Commission (EHRC), both parties agreed it was no longer necessary to continue to have a formal memorandum. Instead, DH now meets with EHRC on a quarterly basis to discuss any areas of concern and explore opportunities for joint working.

Macpherson Review and Quality Assurance

313. The Macpherson Review[54] 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. This is guided by an oversight committee to maintain systematic on-going processes to regularly update our list of business critical models and to ensure that risks are identified, managed and escalated as necessary. An in-year audit of assurance processes was completed in March this year and reported positively on the framework we have in place, with some recommendations for further improvements, which we have accepted and begun to implement. A full and comprehensive review of assurance for all existing business critical models is underway and will address in full the recommendations of the in-year audit as well as ensuring that our processes comply fully with the HM Treasury guidance which was published in late March.

[53] https://www.gov.uk/government/organisations/department-of-health/about/equality-and-diversity

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

Conclusion

314. 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.

Dame Una O'Brien

8 July 2015

Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London
SW1A 2NS

Remuneration Report

315. This Remuneration Report covers Ministers, Non-Executive Directors and Directors General (DGs) in the Department of Health and is compliant with EPN 430 guidance. The following elements of the Remuneration Report are subject to audit:
    - Salaries (including non-consolidated performance pay) and allowances;
    - Compensation for loss of office;
    - Non-cash benefits;
    - Pension increases and values;
    - Cash Equivalent Transfer Values (CETV) and increases;

316. 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 published by the Civil Service specify the circumstances when appointments may otherwise be made.

317. 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].

Remuneration Policy 2014-15

318. 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[56]).

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

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

321. 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.

322. The remuneration of Senior Civil Servants is determined in accordance with the rules set out in the Civil Service Management Code[57] and in line with the annual guidance issued by Cabinet Office. Departments are given discretion in some areas to adapt the pay system for Senior Civil Servants to local needs and to produce an annual senior pay strategy. The strategy document sets out how the system operates in the Department. The Executive Board (DH Leadership Team and Non-Executive Directors) approved the senior pay strategy for the Department.

[55] www.civilservice.gov.uk.
[56] https://www.gov.uk/government/publications/senior-salaries-review-body-36th-report-2014
[57] http://civilservicecommission.independent.gov.uk/civil-service-code/

323. From 1 April 2014, 1% of the Senior Civil Service (SCS) paybill was available for consolidated pay awards. Within the 1% small increases were applied to the minimum of pay ranges with targeted consolidated pay increases, based on the creation of break points in each Pay Band, which sought to address issues of lower pay within the SCS pay bands, disparity between the salaries of staff undertaking similar roles and the significant overlap between the SCS Pay Band 1 and the delegated pay bands. Only staff whose pay was below the appropriate break point received a consolidated pay increase, excluding those staff in the bottom 10% Performance Group.

324. For Directors General (SCS3 pay band) the consolidated pay break point was set at £140,000. The award was paid as a flat rate increase rather than a percentage uplift. For SCS3s the consolidated pay 'cash' increase was £1,400.

Remuneration of Senior Officials on the Departmental Board

325. The following table details the dates of appointment, and where appropriate, departure, of officials sitting on the Departmental Board.

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[1]	Director General of Finance and NHS	01 May 2001
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
Dame Una O'Brien	Permanent Secretary	01 November 2010
Fixed Term Appointments		
Professor Dame Sally Davies	Chief Medical Officer	1 June 2011[2]
Jonathan Rouse	Director General of Social Care, Local Government & Care Partnerships	11 March 2013

1. Richard Douglas retired in May 2015, David Williams takes his place on Departmental Board
2. Chief Medical Officer from 3 March 2011 to 31 May 2011 whilst on secondment from NW London Hospital NHST

326. Table 22 provides details of remuneration interests of the senior officials on the Departmental Board for the years 2013-14 and 2014-15.

Table 22: Remuneration of Senior Officials on the Departmental Board 2014-15

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)	
	2014-2015	2013-2014	2014-2015[2]	2013-2014[1]	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014
Will Cavendish[7,8,9]	90-95	-	-	-	-	-	(2)	-	85-90	-
Professor Dame Sally Davies [6]	200-205	200-205	Nil	Nil	4,500	14,200	75	76	280-285	290-295
Richard Douglas [4]	140-145	140-145	10-15	10-15	Nil	Nil	14	(89)	170-175	65-70
Tamara Finkelstein [8]	60-65	-	-	-	-	-	11	-	70-75	-
Felicity Harvey	130-135	130-135	Nil	Nil	Nil	Nil	29	8	160-165	140-145
Charles Massey	130-135	130-135	10-15	Nil	Nil	Nil	28	22	175-180	150-155
Dame Una O'Brien	160-165	160-165	15-20	Nil	Nil	Nil	56	31	235-240	190-195
Jonathan Rouse [6]	140-145	140-145	Nil	Nil	Nil	Nil	53	54	190-195	195-200
Karen Wheeler [5]	-	140-145	-	10-15	-	Nil	-	42	-	200-205

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

2. Non Consolidated Performance Related Pay is paid in arrears and disclosed on an accruals basis. Therefore the Non Consolidated Performance Pay paid in 2014-15 relates to the 2013-14 performance year.

3. The value of pension benefits accrued during the year is calculated as "Closing pension – (opening pension + PI x 20 + Closing lump sum where applicable) – (opening lump sum + PI) – contributions for relevant financial year". The formula has additional factors taken into consideration when the calculations are used for part-year and if members are over pension age.

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

5. Karen Wheeler ceased to sit on the Departmental Board during 2014-15 following her secondment to NHS England.

6. Total pension benefits for 2013-14 have been recalculated compared with previously published figures. The pension provider made inflation adjustments to previous balances which should not have been included in the earlier calculations.

7. Will Cavendish's total pension benefit is negative due to the fact of his part year appointment.

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

9. 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 to account for an increase in his salary.

Median Earnings

327. 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.

328. The table below details median earnings for the Core Department and the Department of Health and our Executive Agency, Public Health England (PHE). Staff from the Department's Executive Agency, MHRA, are not included in the calculation because their staff costs are not included in the core Departmental accounts as they are a trading fund.

Table 23: Median Earnings

Median Earnings 2013-2014 and 2014-2015	Core Department		Department & Executive Agencies Combined [1]	
	2014-2015	2013-2014	2014-2015	2013-2014
Band of Highest Paid Director's Total remuneration (£000)[2]	205-210	215-220	215-220	215-220
Band of lowest paid	15-20	15-20	15-20	10-15
Median Total Remuneration	£40,317	£39,932	£37,454	£37,175
Ratio	5.1	5.4	5.8	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 £5,000, in accordance with EPN430 guidance

329. The banded remuneration of the highest paid Director for the financial year 2014-15 was £205,000– 210,000 (2013-14 £215,000-£220,000). This was 5.1 times (2013-14, 5.4) the median remuneration of the workforce, which was £40,317 (2013-14, £39,932).

330. In 2014-15, 0 (2013-14, 0) employees received remuneration in excess of the highest paid Director. Remuneration ranged from £17,600 to £206,000 (2013-14, £17,000 and £216,000).

331. 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.

332. The small variance between the 2013-14 and the 2014-15 core Department's median earnings are related to the distribution of staff within the payscales. New recruits normally join the Department on the minimum of the payscale. Payscale minimums were increased by 1% in 2014-15. During periods of pay restraint pay progression is minimal and the maximum of the pay ranges have remained unchanged. There was also a significant reduction in the benefit in kind paid to the highest paid official during 2014-15 compared to 2013-14 which affected the overall median remuneration ratio for 2014-15. The highest paid official was the same person in both years.

Remuneration of Ministers

333. The following Ministers were in post during the 2014-15 financial year.

Table 24: Ministers of the Department

Minister	Position	Date Appointed
Rt Hon Jeremy Hunt MP	Secretary of State	04 September 2012
Mr Norman Lamb MP	Minister of State	05 September 2012
Dr Daniel Poulter MP	Parliamentary Under Secretary	05 September 2012
Ms Jane Ellison MP	Parliamentary Under Secretary	07 October 2013
Earl Howe	Parliamentary Under Secretary	14 May 2010
Mr George Freeman MP	Parliamentary Under Secretary	15 July 2014

Table 25: Remuneration Interests of Ministers

Minister	Salary (£)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000)[4]		Total (to nearest £1000)	
	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014	2014-15	2013-14
Jeremy Hunt [1]	67,505	68,169	-	-	22,000	25,000	90,000	93,000
Norman Lamb [1]	31,680	32,344	-	-	11,000	12,000	43,000	44,000
Daniel Poulter [1]	22,375	23,039	-	-	7,000	10,000	29,000	33,000
Jane Ellison [1]	22,375	11,148	-	-	7,000	4,000	29,000	15,000
George Freeman [5]	-	-	-	-	-	-	-	-
Earl Howe [2]	86,893	86,893	-	-	24,000	22,000	111,000	109,000
Anna Soubry [1,3]	-	13,439	-	-	-	5,000	-	18,000

1. The Coalition Ministers accepted an overall salary remuneration (Ministerial and MP salary elements taken together) that is five percent lower than the equivalent Ministers in the former Government were receiving. MPs received a 1% increase from 1 April 2013 and 1 April 2014 respectively. The Ministers salaries have been reduced by the by the same amount to counter the increase of the MP salary element. This amounted to £658 in 2013/14 and £664 in 2014/15.

2. Earl Howe salary includes the Lords Ministers Night Subsistence Allowance. He is entitled to the full allowance of £36,366 ,however, he only claimed 50% of his entitlement which amounted to £18,183 in 2013-14 and 2014-15. His ministerial salary is £68,710.

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

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 15/07/2014 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 2014-15 annual accounts.

334. George Freeman MP was jointly appointed as Parliamentary Under Secretary of State for Life Sciences at the Department for Business, Innovation and Skills (BIS) and the Department of Health on 15 July 2014. His salary is being met in full by BIS.

Salary

335. '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.

336. 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 (£67,060 from 1st April 2014) 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.

337. 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 25.

Non-Consolidated Performance Pay

338. The performance management and reward policy for members of the Senior Civil Service (SCS), including board members, is managed within a central framework set by the Cabinet Office. The framework allows for non-consolidated performance-related awards to be paid to a maximum of 25% of members of the SCS. The Senior Civil Service Performance Management and Reward principles include explanations of how non-consolidated performance awards are determined[58].

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

340. The non-consolidated performance pay included in the 2014-15 figures in Table 25 relates to awards made in respect of the 2013-14 performance year but paid in financial year 2014-15. Non-consolidated performance pay for 2013-14 was paid to the top 25% performers. The level of the awards were differentiated by grade, and the award for SCS 3 grade was £15,000.

Benefits in Kind

341. 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.

[58] https://www.gov.uk/government/publications/senior-civil-service-performance-management

For its direct employees, the Department pays the individual a net sum and pays tax directly to HMRC.

342. 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 £4,500 (gross of tax) in 2014-15.

Civil Service Pensions

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

344. Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for Classic and 3.5% and 8.85% for Premium, Classic Plus and Nuvos. Increases to employee contributions apply from 1 April 2014. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

346. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is currently 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos. Further details about the Civil Service pension arrangements can be found on the website[59].

[59] www.civilservice-pensions.gov.uk.

347. New career average pension arrangements will be introduced from 1 April 2015 and the majority of Classic, Premium, Classic Plus and Nuvos members will join the new scheme. Further details are available on the website[60].

Ministerial Pensions

348. Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute. The regulations are set out in Statutory Instrument SI 1993 No 3253, as amended.

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

350. Benefits for Ministers are payable at the same time that MPs' benefits become payable under the PCPF or, in the case of those who are not MPs, on retirement from Ministerial office, from age 65. Pensions are re-valued annually in line with changed Pension Increase legislation. From 1 April 2014, members pay contributions of 8.4% and 17.9% depending on their level of seniority and chosen accrual rate.

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

352. In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a career average pension scheme, with an accrual rate of 1.775%, revaluation based on the change in prices, a normal pension age that is equal to state pension age and a member contribution rate of 11.1%.

353. Tables 26 and 27 provide the details of the pensions interests for the Department's Officials and Ministers for 2013-14 and 2014-15.

[60] http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Table 26: Pension Information of Senior Officials on the Departmental Board

		pension at pension age as at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14	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	35-40	0-2.5	558	533	(4)	N/A
Professor Dame Sally Davies	Chief Medical Officer	15-20	2.5-5	330	234	65	N/A
Richard Douglas	Director General of Finance & NHS	65-70 plus lump sum of 195-200	0-2.5 plus lump sum of 2.5-5	1,420	1,341	12	N/A
Tamara Finkelstein	Chief Operating Officer & Director General for Group Operations	35-40	0-2.5	543	529	6	N/A
Felicity Harvey	Director General of Public Health	60-65 plus lump sum of 180-185	0-2.5 plus lump sum of 5-7.5	1,304	1,212	27	N/A
Charles Massey	Director General of External Relations	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5	530	487	15	N/A
Dame Una O'Brien	Permanent Secretary	50-55 plus lump sum of 150-155	2.5-5 plus lump sum 7.5-10	1,066	965	50	N/A
Jonathan Rouse	Director General of Social Care, Local Government and Care Partnerships	5-10	2.5-5	71	35	22	N/A

Table 27: Pension Interests of Ministers

	Accrued pension at 65 as at 31/03/15	Real increase in pension at age 65	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV
	(£ '000)	(£ '000)	(£ '000)	(£ '000)	(£ '000)
Jeremy Hunt	5-10	0-2.5	100	76	9
Norman Lamb	0-5	0-2.5	56	41	8
Daniel Poulter	0-5	0-2.5	12	8	2
Jane Ellison	0-5	0-2.5	9	3	3
George Freeman[1]	-	-	-	-	-
Earl Howe	15-20	0-2.5	328	292	22

1. Minister is shared with the Department for Business Innovation & Skills (BIS) and his pension details will be published in their 2014-15 annual accounts.
2. The figures given are based solely on the individual benefits as a Minister. Pension benefits accrued as a member of parliament are not included in this report.

Cash Equivalent Transfer Values

354. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown for the Senior Management, relate to the benefits that the

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

355. 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.

356. 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.

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

Real Increase in CETV

358. This reflects the increase in CETV that is funded by the employer or the Exchequer, in the case of Ministers. It does not include the increase in accrued pension due to inflation or contributions paid by the employee or Minister (including the value of any benefits transferred from another pension scheme or arrangement). It does rely on common market valuation factors for the start and end of the period. Table 26 and 27 above include the CETV increases.

Non-Executive Directors

359. In line with Cabinet Office guidance, the Departmental Board has four non-executive board members (five during the period August to December 2014).

360. Non-Executive board members are not employees of the Department. They are appointed for a fixed term of three years initially, with the possibility of extension. They are appointed primarily to attend and contribute to Departmental Board meetings, which involve an estimated time commitment of eleven three-hour meetings, and occasional overnight events per year. One of the Non-Executive members chairs the Department's Audit 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 Non-Executive Members also make a significant contribution to Departmental business by working through Committees and with senior officials.

361. The following table details the dates of appointment, and where appropriate, departure of Non-Executive Directors sitting on the Departmental Board during 2014-15.

Table 28: Non-Executive Directors of the Department

Individual	Period of Appointment
Catherine Bell	01 January 2011
Peter Sands	01 May 2011
Chris Piling	01 April 2011
Michael Wheeler	1 July 2011 - 31 December 2014
Gerry Murphy	01 August 2014

362. Catherine Bell was appointed on a 3 year fixed-term contract from 1st January 2011 until 31 December 2013. This has been extended until 31 May 2016. She was also appointed a member of the Executive Board from 23 May 2013 until 22 May 2016. She received an annual fee of £30,000 per annum (£15,000 for the Departmental Board and £15,000 for the Executive Board). She also claimed expenses between 1 April 2014 & 31 March 2015 amounting to £942.90 (this includes expenses of £37.45 accrued in March 2015 and subsequently paid in 2015-16).

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

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

365. Both Peter Sands and Chris Pilling waived their fees and are reimbursed for their expenses only. They have not made any expense claims for 2014-15.

366. Mike Wheeler's appointment was extended for a further 6 months from 1 July 2014 to 31 December 2014 on an annual fee of £20,000 (£15,000 as a Non-Executive Board Member and £5,000 as Chair of the Audit and Risk Committee). He has not made any expense claims for 2014-15.

367. Gerry Murphy was appointed as a Non-Executive Board Member from 1 August 2014 for a 3 year period. He was paid £15,000 per annum. From the 1st January 2015 this increased to £20,000 per annum when he became Chair of the Audit and Risk Committee. He has not made any expense claims for 2014-15.

368. Non-Executive Directors fees are not pensionable.

Compensation for Loss of Office

369. There have been no payments made for loss of office during 2014-15.

Dame Una O'Brien

8 July 2015
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 2015 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. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 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 2015 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 Trusts

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

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report and Management Commentary, Strategic Report, Review of the Year and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse **Date 10 July 2015**

Comptroller and Auditor General

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

Accounting Schedules

Accounting & Legislative Framework

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

371. In addition to the Annual Report and Accounts, the other key elements of financial accountability published during the year are as follows:
    - **Parliamentary Estimates** – Estimates are the Government's requests for resources from Parliament, presented annually in a cycle prescribed by the Treasury[61].
    - **Main Supply Estimates** start the supply procedure and are presented at the beginning of the financial year to which they relate.
    - **One Supplementary Estimate** is permitted and for 2014-15 this was voted in February 2015 and represented the final changes to supply and funding required by the Department for the year.
    - **Public Expenditure Statistical Analyses –** The Government regularly publishes information on departmental and other government spending in the Public Expenditure Statistical Analyses (PESA). This analysis covers both spending plans and outturn expressed in terms of budgeting aggregates, and functional spending based on the Total Expenditure on Services framework (TES), which broadly represents the total revenue and capital spending of the public sector.

Account Structure and Resource Account Boundary

372. The Accounts relate to the financial year 1 April 2014 to 31 March 2015. They have been prepared in accordance with a direction issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000[62].

373. The Department's Annual Report & Accounts consolidates the financial information of organisations within the Department's Resource Accounting Boundary. The entities included are designated by secondary legislation and include:
    - 8 Executive Non-Departmental Public Bodies (including NHS England),
    - 90 NHS Trusts, (3 dissolved in year and 6 became FTs)
    - 150 NHS Foundation Trusts (FTs) (6 new from NHST and 3 dissolved)
    - 4 Special Health Authorities
    - NHS England (including 211 CCGs)
    - 4 other bodies
    - NHS charities.

[61] www.hm-treasury.gov.uk
[62] www.hm-treasury.gov.uk

374. NHS charities are designated as central government bodies, and are consequently recognised within the Department's group resource account. Note 22 to the accounts provides details of their combined statements of financial position and statements of financial performance. There are two types of NHS Charities consolidated: those with corporate trustees from the board of the host body, and those with Independent Trustees, who are appointed. This year one of the NHS Charities with Independent Trustees, Barts Charity, changed their governance arrangements and became fully independent and, as they are no longer categorised as a central government body, are not included in the consolidation.

375. The standards for preparing the accounts in each financial year are set in the Government Financial Reporting Manual (FReM)[63]. The Manual is given the force of law by an accounts direction issued by HM Treasury under section 5(2) of the Government Resources and Accounts Act 2000.

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

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

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

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

[63] https://www.gov.uk/government/publications/government-financial-reporting-manual

Public Dividend Capital

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

380. The rules governing PDC for NHS Trusts and NHS Foundation Trusts are provided in the NHS Act 2006. This allows for the use of PDC as originating capital for NHS Trusts, and initial PDC for NHS Foundation Trusts. The Act also sets out the Secretary of State's powers in determining the conditions under which PDC can be issued. Consequently, with the consent of the Treasury, the Secretary of State may determine, in respect of an NHS Trust:
    - The dividend which is payable at any time on any PDC issued, or treated as issued, to an NHS Trust or NHS Foundation Trust under the 2006 Act;
    - The amount of any such PDC which must be repaid at any time; and
    - Any other terms on which any PDC is issued, or treated as issued.

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

382. A total of £520.215 million of PDC was transferred to 6 other organisations in 2014-15, originating from one dissolved Trust.

Disclosures in Underlying Accounts

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

Dame Una O'Brien

8 July 2015

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

Resource Accounts

Statement of Parliamentary Supply

For the year ended 31 March 2015

Summary of Resource and Capital Outturn 2014-15

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

		2014-15							2013-14
		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	2.1	91,866,576	18,688,977	110,555,553	91,865,323	18,688,977	110,554,300	1,253	106,495,326
- Capital	2.2	4,013,667	-	4,013,667	3,950,694	-	3,950,694	62,973	4,348,909
Annually Managed Expenditure									
- Resource	2.1	6,606,000	-	6,606,000	3,418,733	-	3,418,733	3,187,267	4,261,086
- Capital	2.2	15,000	-	15,000	(4,938)	-	(4,938)	19,938	(69,813)
Total Budget		102,501,243	18,688,977	121,190,220	99,229,812	18,688,977	117,918,789	3,271,431	115,035,508
Non-Budget									
- Resource	2.1	4,352	-	4,352	-	-	-	4,352	-
Total		**102,505,595**	**18,688,977**	**121,194,572**	**99,229,812**	**18,688,977**	**117,918,789**	**3,275,783**	**115,035,508**
Total Resource		98,476,928	18,688,977	117,165,905	95,284,056	18,688,977	113,973,033	3,192,872	110,756,412
Total Capital		4,028,667	-	4,028,667	3,945,756	-	3,945,756	82,911	4,279,096
Total		**102,505,595**	**18,688,977**	**121,194,572**	**99,229,812**	**18,688,977**	**117,918,789**	**3,275,783**	**115,035,508**

Net cash requirement 2014-15

	SoPS Note	2014-15 Estimate £'000	2014-15 Outturn £'000	Outturn compared with Estimate: saving/ (excess) £'000	2013-14 Outturn £'000
Net cash requirement	4	95,019,546	92,116,589	2,902,957	90,138,582

Administration Costs 2014-15

	2014-15 Estimate £'000	2014-15 Outturn £'000	2013-14 Outturn £'000
Administration Costs	4,129,847	2,873,148	3,121,751

Footnotes

1. Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.
2. Explanations of variances between Estimate and outturn are given in the Strategic Report.

The notes on pages 114 - 187 form part of these accounts.

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

PS1.Statement of accounting policies

The Statement of Parliamentary Supply (SOPS) and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The FReM requires that the accounting policies for this statement are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

S1.1 Accounting convention

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

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

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

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

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

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

S1.3 Comparison with IFRS-based accounts

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

S1.aa PFI and other Service Concession arrangements

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

S1.ab Capital Grants

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

S1.ac Prior Period Adjustments (PPAs)

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

S1.ad Receipts in excess of HM Treasury agreement

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

S1.ae Provisions - Administration and Programme expenditure

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

SOPS2. Net Outturn

SOPS2.1 Analysis of net resource outturn by section

	2014-15 £'000										2013-14 £'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]	1,713,067	-	1,713,067	14,013,652	-	14,013,652	15,726,719	15,670,067	(56,652)	-	15,300,436
NHS Trusts net expenditure[1]	-	-	-	27,156,813	-	27,156,813	27,156,813	27,965,165	808,352	-	26,860,770
NHS Foundation Trusts net expenditure[1]	-	-	-	38,490,221	-	38,490,221	38,490,221	37,652,256	(837,965)	-	36,162,930
DH Programme and Administration expenditure	324,957	(67,415)	257,542	3,394,907	(723,875)	2,671,032	2,928,574	3,084,490	155,916	1,253	3,335,829
Local Authorities	223,000	-	223,000	2,651,060	(12,000)	2,639,060	2,862,060	2,838,038	(24,022)	-	2,704,972
Public Health England (Executive Agency)	201,247	(56,026)	145,221	778,240	(132,529)	645,711	790,932	858,234	67,302	-	815,893
Health Education England	80,192	(754)	79,438	1,916,474	(19,326)	1,897,148	1,976,586	1,863,856	(112,730)	-	1,921,429
Special Health Authorities expenditure[3]	166,025	(15,545)	150,480	1,329,958	(20,391)	1,309,567	1,460,047	1,455,264	(4,783)	-	1,502,815
Non Departmental Public Bodies net expenditure[1,3]	304,400	-	304,400	168,971	-	168,971	473,371	479,206	5,835	-	409,030
Non-voted:											
NHS England expenditure financed by NI Contributions[1]	-	-	-	18,688,977	-	18,688,977	18,688,977	18,688,977	-	-	17,481,222
	3,012,888	**(139,740)**	**2,873,148**	**108,589,273**	**(908,121)**	**107,681,152**	**110,554,300**	**110,555,553**	**1,253**	**1,253**	**106,495,326**
Annually Managed Expenditure (AME)											
Voted:											
NHS England net expenditure[1]	-	-	-	(152,068)	-	(152,068)	(152,068)	300,000	452,068	452,068	158,822
NHS Trusts net expenditure[1]	-	-	-	318,007	-	318,007	318,007	697,000	378,993	378,993	484,288
NHS Foundation Trusts net expenditure[1]	-	-	-	373,775	-	373,775	373,775	768,000	394,225	394,225	462,522
DH Programme and Administration expenditure	-	-	-	379,673	(23,191)	356,482	356,482	640,000	283,518	268,511	10,016
Local Authorities	-	-	-	-	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	11,753	-	11,753	11,753	300	(11,453)	-	5,371
Health Education England	-	-	-	(10)	-	(10)	(10)	-	10	10	(658)
Special Health Authorities expenditure[3,4]	-	-	-	2,506,540	-	2,506,540	2,506,540	4,200,000	1,693,460	1,693,460	3,137,203
Non Departmental Public Bodies net expenditure[1,3]	-	-	-	4,254	-	4,254	4,254	700	(3,554)	-	3,522
	-	**-**	**-**	**3,441,924**	**(23,191)**	**3,418,733**	**3,418,733**	**6,606,000**	**3,187,267**	**3,187,267**	**4,261,086**
Non-Budget											
Prior period adjustments	-	-	-	-	-	-	-	4,352	4,352	4,352	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**4,352**	**4,352**	**4,352**	**-**
Total	**3,012,888**	**(139,740)**	**2,873,148**	**112,031,197**	**(931,312)**	**111,099,885**	**113,973,033**	**117,165,905**	**3,192,872**	**3,192,872**	**110,756,412**
Reconciliation to Statement of Comprehensive Net Expenditure											
Net gain/(loss) on transfers by absorption	-	-	-	-	-	-	-				(205)
Capital Grants	31,900	-	31,900	279,962	-	279,962	311,862				494,956
Income from Consolidated Fund Extra Receipts	-	-	-	-	(220)	(220)	(220)				-
Utilisation of provisions	(23,150)	-	(23,150)	23,150	-	23,150	-				-
IFRIC 12 Adjustment	-	-	-	173,541	(276,120)	(102,579)	(102,579)				72,202
Donated asset/government granted income	-	-	-	-	(148,166)	(148,166)	(148,166)				(138,124)
Expenditure presented on net basis[1]	139,999	(139,999)	-	7,425,737	(7,425,737)	-	-				-
Other adjustments	-	-	-	309,334	-	309,334	309,334				-
Net operating cost	**3,161,637**	**(279,739)**	**2,881,898**	**120,242,921**	**(8,781,555)**	**111,461,366**	**114,343,264**				**111,185,241**

Footnotes

1. Under Parliamentary reporting requirements, expenditure for the NHS England Group, NDPBs, NHS Trusts and Foundation Trusts is shown net of income. This differs from the treatment in the Consolidated Statement of Comprehensive Net Expenditure, where income and expenditure are reported separately on a gross basis.
2. Explanations of variances between Estimates and Outturn are given in the Strategic Report section of the Annual Report.
3. Note 24 to the accounts provides details of organisations classified as Special Health Authorities and Non-Departmental Public Bodies
4. The large underspend on Annually Managed Expenditure by Special Health Authorities relates predominately to clinical negligence provisions recorded by NHS Litigation Authority.

SOPS2.2 Analysis of net capital outturn by section

	2014-15 £'000						2013-14 £'000
	Outturn			Estimate			Outturn
	Gross	Income	Net Total	Net Total	Net total compared to Estimate Savings /(excess)	Net total compared to Estimate adjusted for virements	Net Total
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
NHS England net expenditure	189,190	-	189,190	270,000	80,810	-	180,177
NHS Trusts net expenditure	1,381,276	-	1,381,276	1,352,000	(29,276)	-	1,330,475
NHS Foundation Trusts net expenditure	1,925,641	(86)	1,925,555	1,986,000	60,445	-	1,900,930
DH Programme and Administration expenditure	528,638	(99,076)	429,562	252,004	(177,558)	62,973	692,552
Local Authorities	131,666	-	131,666	131,963	297	-	129,059
Public Health England (Executive Agency)	34,278	(340)	33,938	108,000	74,062	-	67,513
Health Education England	190	-	190	3,000	2,810	-	1,841
Special Health Authorities expenditure[2]	22,462	(190,000)	(167,538)	(122,900)	44,638	-	20,839
Non Departmental Public Bodies net expenditure[2]	26,855	-	26,855	33,600	6,745	-	25,523
	4,240,196	**(289,502)**	**3,950,694**	**4,013,667**	**62,973**	**62,973**	**4,348,909**
Annually Managed Expenditure (AME)							
Voted:							
NHS England net expenditure	-	-	-	-	-	-	-
NHS Trusts net expenditure	-	-	-	-	-	-	-
NHS Foundation Trusts net expenditure	-	-	-	-	-	-	-
DH Programme and Administration expenditure	7,964	(12,902)	(4,938)	15,000	19,938	19,938	(69,813)
Local Authorities	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	-	-	-	-
Health Education England	-	-	-	-	-	-	-
Special Health Authorities expenditure[2]	-	-	-	-	-	-	-
Non Departmental Public Bodies net expenditure[2]	-	-	-	-	-	-	-
	7,964	**(12,902)**	**(4,938)**	**15,000**	**19,938**	**19,938**	**(69,813)**
Total	**4,248,160**	**(302,404)**	**3,945,756**	**4,028,667**	**82,911**	**82,911**	**4,279,096**

Footnotes

1. Explanations of variances between Estimate and outturn are given in the Strategic Report section of the Annual Report.
2. Note 24 to the accounts provides details of organisations classified as Special Health Authorities and Non-Departmental Public Bodies

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

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

		Note	2014-15 £'000 Outturn	2013-14 £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	SOPS 2.1	113,973,033	110,756,412
	Non-Budget	SOPS 2.1	-	-
			113,973,033	110,756,412
Add:	Capital Grants		311,862	494,956
	PFI/LIFT expenditure under IFRS		1,851,910	1,864,846
	PFI/LIFT income under IFRS		(276,120)	(283,452)
	Gain on transfers by absorption		-	-
	Other		309,334	-
			2,196,986	2,076,350
Less:	Income payable to the Consolidated Fund	SOPS 5.1	(220)	-
	Donated asset/government granted income		(148,166)	(138,124)
	PFI/LIFT expenditure under UK GAAP		(1,678,369)	(1,509,192)
	Loss on transfers by absorption		-	(205)
	Prior period adjustments		-	-
	Other		-	-
			(1,826,755)	(1,647,521)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**114,343,264**	**111,185,241**

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

	2014-15 £'000 Outturn	2013-14 £'000 Outturn
Estimate - Administration costs limit	4,129,847	4,114,103
Outturn - Gross Administration Costs	3,012,888	3,213,286
Outturn - Gross income relating to administration costs	(139,740)	(91,535)
Outturn - Net administration costs	**2,873,148**	**3,121,751**
Reconciliation to operating costs:		
Add: Capital Grants	31,900	60,954
Add: PFI/LIFT expenditure under IFRS	-	-
Add: PFI/LIFT income under IFRS	-	-
Add: Gain on transfers by absorption	-	-
Less: provisions utilised (transfer from Programme)	(23,150)	(6,484)
Less: PFI/LIFT expenditure under UK GAAP	-	-
Less: Loss on transfers by absorption	-	-
Less: Income payable to the Consolidated Fund	-	-
Less: other	-	-
Administration Net Operating Costs	**2,881,898**	**3,176,221**

SOPS4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2014-15 £'000 Net total outturn compared with Estimate: Savings/(excess)
Resource Outturn	SOPS 2.1	117,165,905	113,973,033	3,192,872
Capital Outturn	SOPS 2.2	4,028,667	3,945,756	82,911
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(1,141,075)	(719,594)	(421,481)
New provisions and adjustments to previous provisions		(6,718,300)	(4,265,393)	(2,452,907)
Departmental Unallocated Provision			-	-
Supported capital expenditure (revenue)			-	-
Prior period adjustments			-	-
Finance leased asset additions			-	-
IFRIC12 revenue adjustments			13,718	(13,718)
IFRIC12 capital adjustments			-	-
Adjustment for stockpiled goods			75,852	(75,852)
Non-cash investment additions			(302,766)	302,766
Net gain/loss on transfers by absorption			(5,697)	5,697
Other non-cash items		(4,352)	(326,926)	322,574
Adjustments for NDPBs, NHS Trusts, Foundation Trusts, Charities and Other bodies:				
Remove voted resource and capital		(87,173,994)	(86,997,976)	(176,018)
Add cash grant-in-aid, PDC, loans and share capital from Core Department, and expenditure financed by Parliamentary Funding		84,196,672	83,490,110	706,562
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventory			11,614	(11,614)
less transfers from non-current assets			(440)	440
Increase/(decrease) in receivables			10,182	(10,182)
less movement in Consolidated Fund receivables			-	-
less movement in PFI and other service concession arrangement prepayments			-	-
less movement in current financial assets			99,913	(99,913)
add PFI prepayments outward cash payments			-	-
Increase/(decrease) in payables		1,340,000	(895,062)	2,235,062
less movement in overdraft			7	(7)
less movement in payables to the Consolidated Fund			983,630	(983,630)
less movement in finance lease/PFI payables			(2,100)	2,100
add capital element of finance lease/PFI payables			3,844	(3,844)
Use of provisions		2,015,000	1,717,178	297,822
		113,708,523	110,808,883	2,899,640
Removal of non-voted budget items:				
Consolidated Fund Standing Services			-	-
National Insurance contributions		(18,688,977)	(18,688,977)	-
Other adjustments				
Net cash transferred under absorption accounting			-	-
Other cashflow adjustments			(3,317)	3,317
Net cash requirement		**95,019,546**	**92,116,589**	**2,902,957**

SOPS5. Income payable to the Consolidated Fund

SOPS5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2014-15 £'000		Outturn 2013-14 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	220	*220*	-	*1*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**220**	***220***	**-**	***1***

SOPS5.2 Consolidated Fund Income

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

Consolidated Statement of Comprehensive Net Expenditure

This account summarises the expenditure incurred and income generated and 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 2015

	Notes	2014-15 Core Department £'000	2014-15 Core Dept & Agencies £'000	2014-15 Departmental Group £'000	2013-14 Core Department £'000	2013-14 Core Dept & Agencies £'000	2013-14 Departmental Group £'000
Administration Costs:							
Staff costs	3.1	105,338	233,773	1,899,431	172,026	291,687	1,927,159
Other costs	4	90,450	386,262	1,262,206	166,912	468,037	1,492,902
Income	6.1	(21,028)	(72,539)	(279,739)	(15,483)	(58,999)	(243,840)
Grant in Aid to NDPBs	4	2,237,639	2,237,639	-	2,334,748	2,334,748	-
Funding to Group Bodies	4	424,864	61,851	-	368,547	177,893	-
Programme Costs							
Staff costs	3.1	5,821	192,492	48,049,232	3,280	169,073	46,074,621
Other costs	5	4,462,506	7,698,802	71,685,472	4,028,274	7,152,318	69,624,356
Income	6.2	(1,668,104)	(1,839,077)	(8,439,209)	(1,343,725)	(1,512,551)	(7,679,620)
Grant in Aid to NDPBs	5	95,551,187	95,551,187	-	91,470,599	91,470,599	-
Funding to Group Bodies	5	8,270,322	5,003,207	-	8,362,137	4,972,172	-
Resources expended by NHS charities	22.1	-	-	508,217	-	-	335,147
Income received by NHS charities	22.1	-	-	(342,346)	-	-	(345,484)
Net Operating Costs for the year ended 31 March 2015		**109,458,995**	**109,453,597**	**114,343,264**	**105,547,315**	**105,464,977**	**111,185,241**
Total operating expenditure		111,148,127	111,365,213	123,404,558	106,906,523	107,036,527	119,454,185
Total operating income		(1,689,132)	(1,911,616)	(9,061,294)	(1,359,208)	(1,571,550)	(8,268,944)
Net Operating Costs for the year ended 31 March 2015		**109,458,995**	**109,453,597**	**114,343,264**	**105,547,315**	**105,464,977**	**111,185,241**
Net (gain)/loss on transfers by absorption[2]		6,097	6,097	-	818,018	(9,875)	205
Total Net Expenditure for the year ended 31 March 2015		**109,465,092**	**109,459,694**	**114,343,264**	**106,365,333**	**105,455,102**	**111,185,446**
Other Comprehensive Net Expenditure							
Items that will not be reclassified to net operating costs:							
Net (gain)/loss on:							
- revaluation of property, plant and equipment		(11,771)	(14,418)	(2,468,326)	(3,460)	(4,297)	(1,405,964)
- revaluation of intangibles		(24,051)	(24,051)	(24,469)	(179,125)	(179,125)	(178,765)
- revaluation of investments		(145,606)	(145,606)	(48,647)	-	-	-
-revaluation of charitable assets		-	-	(163,096)	-	-	(152,808)
- impairments and reversals taken to revaluation reserve		875	875	700,961	32,195	32,195	367,125
- transfers by modified absorption[3]		-	-	-	1,297	(194,722)	87,711
Actuarial (gains)/losses on defined benefit pension schemes		-	-	28,073	-	-	(12,260)
Other pensions remeasurements		-	-	(328)	-	-	(1,023)
Other (gains) and losses		-	-	20,987	-	-	(5,204)
Items that may be reclassified subsequently to net operating costs:							
Net (gain)/loss on:							
- revaluation of available for sale financial assets		-	-	(522)	50	50	50
Reclassification adjustment on disposal of available for sale financial assets		-	-	-	-	-	5,050
Total Comprehensive Expenditure for the year ended 31 March 2015		**109,284,539**	**109,276,494**	**112,387,897**	**106,216,290**	**105,109,203**	**109,889,358**

Footnotes

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. In 2013-14 the Core Department had net losses on transfer by absorption resulting from; a) The transfer of a £826.3 million net asset to Public Health England; b) The transfer of a £16.4 million net asset to the Health and Social Care Information Centre; c) The transfer of £0.5 million of net assets to Health Education England, partially offset by; d) The transfer of a £23.4 million net liability to NHS England; and e) The transfer of a £1.8 million net liability to NHS Litigation Authority. All absorption transfers are within the Departmental Group and therefore net out upon consolidation.
3. Transfer of assets and liabilities from organisations which closed on 1 April 2013, as a result of their abolition under the Health and Social care Act 2012, were made using a modified form of absorption accounting, under which the net gain or loss on absorption is debited or credited to the General Fund rather than to the Consolidated Statement of Comprehensive Net Expenditure.

The notes on pages 114 - 187 form part of these accounts.

Consolidated Statement of Financial Position

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

As at 31 March 2015

				2015 £'000			2014 £'000
	Note	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Non-current assets							
Property plant and equipment	7	253,538	1,173,913	50,973,890	391,467	1,319,058	48,865,305
Investment Property	7.1	260	260	80,853	260	260	75,745
Intangible assets	8	831,609	844,935	1,610,381	1,304,196	1,310,607	1,897,540
Charitable non-current assets	22.2	-	-	235,454	-	-	281,087
Financial assets- Investments	12	29,519,588	29,519,588	1,046,894	27,598,311	27,598,311	1,165,461
Charitable investments	22.3	-	-	1,766,943	-	-	1,898,767
Other non-current assets	16	119,689	119,833	569,858	172,054	172,146	621,326
Total non-current assets		**30,724,684**	**31,658,529**	**56,284,273**	**29,466,288**	**30,400,382**	**54,805,231**
Current assets							
Assets classified as held for sale	13	26,053	26,053	267,392	8,527	8,527	157,896
Inventories	14	-	143,334	1,053,370	1	131,720	982,232
Trade and other receivables	16	158,463	192,463	1,617,680	183,130	201,435	1,561,467
Other current assets	16	450,393	466,387	1,651,762	299,579	318,525	1,323,688
Charitable other current assets	22.2	-	-	228,683	-	-	210,588
Other financial assets	16	496,485	496,485	25,114	596,398	596,398	10,691
Cash and cash equivalents	15	1,327,703	1,487,377	6,977,058	460,017	589,447	6,965,179
Charitable cash	22.2	-	-	293,375	-	-	289,094
Total current assets		**2,459,097**	**2,812,099**	**12,114,434**	**1,547,652**	**1,846,052**	**11,500,835**
Total assets		**33,183,781**	**34,470,628**	**68,398,707**	**31,013,940**	**32,246,434**	**66,306,066**
Current liabilities							
Trade and other payables	17	(144,190)	(162,629)	(4,739,216)	(217,152)	(244,361)	(4,869,993)
Other liabilities	17	(2,504,179)	(2,636,567)	(10,903,836)	(1,561,757)	(1,650,944)	(9,572,056)
Charitable liabilities	22.2	-	-	(192,752)	-	-	(279,938)
Provisions	18	(369,810)	(386,936)	(2,865,865)	(278,808)	(284,030)	(2,590,518)
Total current liabilities		**(3,018,179)**	**(3,186,132)**	**(18,701,669)**	**(2,057,717)**	**(2,179,335)**	**(17,312,505)**
Non-current assets plus/less net current assets/liabilities		**30,165,602**	**31,284,496**	**49,697,038**	**28,956,223**	**30,067,099**	**48,993,561**
Non-current liabilities							
Other payables	17	(80,236)	(80,236)	(491,902)	(180,821)	(180,821)	(579,335)
Charitable liabilities	22.2	-	-	(170,744)	-	-	(118,195)
Provisions	18	(1,598,346)	(1,600,719)	(29,624,418)	(1,495,285)	(1,497,882)	(27,431,302)
Net pension asset/(liability)	18.1	-	-	(89,008)	-	-	(62,495)
Financial liabilities	17	(4,450)	(4,450)	(11,894,533)	(6,658)	(6,658)	(11,801,278)
Total non-current liabilities		**(1,683,032)**	**(1,685,405)**	**(42,270,605)**	**(1,682,764)**	**(1,685,361)**	**(39,992,605)**
Total assets less liabilities		**28,482,570**	**29,599,091**	**7,426,433**	**27,273,459**	**28,381,738**	**9,000,956**
Taxpayers' equity and other reserves							
General fund		27,297,795	28,376,746	(6,786,073)	26,308,969	27,383,636	(3,737,020)
Revaluation reserve		1,184,775	1,222,345	11,921,037	964,490	998,102	10,318,334
Other Reserves		-	-	130,510	-	-	138,239
Total Taxpayers' Equity		**28,482,570**	**29,599,091**	**5,265,474**	**27,273,459**	**28,381,738**	**6,719,553**
Charitable funds	22.2	-	-	2,160,959	-	-	2,281,403
Total Reserves		**28,482,570**	**29,599,091**	**7,426,433**	**27,273,459**	**28,381,738**	**9,000,956**

Footnotes

1. The closing balance of the charitable funds reserve comprised £1,121 million of restricted funds and £1,039 million of unrestricted funds.

Dame Una O'Brien

Permanent Secretary and Principal Accounting Officer

8 July 2015

Consolidated Statement of Cash Flows

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

As at 31 March 2015

	Note		2014-15 £'000		2013-14 £'000
		Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Net cashflow from operating activities					
Net Operating Cost	CSCNE	(109,453,597)	(114,343,264)	(105,464,977)	(111,185,241)
Adjustments for non-cash transactions	4b	1,495,060	8,423,831	1,385,385	9,664,348
Adjustments for charities		-	257,760	-	42,381
Other non-cash movements in Statement of Financial Position items		-	(99,235)	(238,411)	(233,379)
(Increase)/decrease in trade and other receivables	16	13,336	(347,242)	(574,969)	(541,447)
less movements in receivables relating to items not passing through the CSCNE	16	(93,044)	116,161	389,935	6,375
(Increase)/decrease in inventories	14	(11,614)	(71,138)	(5,816)	(13,321)
less transfers to inventories from non-current assets	14	440	440	20,144	20,144
Increase/(decrease) in trade and other payables	17	801,098	1,206,825	(743,280)	612,511
less movements in payables relating to items not passing through the CSCNE	17	(884,013)	(985,093)	779,101	474,481
Use of provisions	18	(169,539)	(1,676,334)	(146,909)	(1,713,132)
Transfer of provisions to payables	18	(324,308)	(348,757)	(555,135)	(581,715)
Cash payments in respect of pensions	18.1	-	(7,759)	-	(6,145)
Other operating cashflows[1]		-	32,777	123,218	145,648
Net cash outflow from operating activities		**(108,626,181)**	**(107,841,028)**	**(105,031,714)**	**(103,308,492)**
Cash flows from investing activities					
Purchase of property, plant and equipment & investment properties	7, 17	(87,847)	(3,692,463)	(179,772)	(3,649,328)
Purchase of intangible assets	8, 17	(261,329)	(548,546)	(313,367)	(536,998)
Proceeds of disposal of property, plant and equipment		51,840	146,418	28,067	117,066
Proceeds of disposal of intangibles		-	281	266	1,623
Proceeds of disposal of assets held for sale		16,489	174,490	197,325	341,192
Purchase of investments	12	(3,350,760)	(45,870)	(3,006,347)	(367,510)
Proceeds of disposal of investments	12, 16	1,367,269	234,491	622,722	302,172
Other investing cashflows[1]		7	(4,698)	72,609	76,560
Net cash outflow from investing activities		**(2,264,331)**	**(3,735,897)**	**(2,578,497)**	**(3,715,223)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) - current year		93,100,000	93,100,000	89,353,321	89,353,321
From the Consolidated Fund (Non-Supply)		-	-	-	-
Financing from the National Insurance Fund		18,688,977	18,688,977	17,481,222	17,481,222
Movement in loans received from DH and Other Bodies		-	32,682	-	107,442
Advances from the Contingencies Fund		-	-	-	-
Repayments to the Contingencies Fund		-	-	-	-
Cash inflows to newly authorised Foundation Trusts		-	-	-	16,098
Net cash transferred under absorption accounting		-	-	168,209	(27,147)
Capital element of payments in respect of finance leases and on-SOFP PFI/LIFT contracts		(3,844)	(406,070)	(3,724)	(315,359)
Other financing cashflows[1]		3,310	163,296	14,078	(26,308)
Net financing		**111,788,443**	**111,578,885**	**107,013,106**	**106,589,269**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**897,931**	**1,960**	**(597,105)**	**(434,446)**
Payment of amounts due to the Consolidated Fund		(1)	(1)	(20,008)	(20,008)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**897,930**	**1,959**	**(617,113)**	**(454,454)**
Cash and cash equivalents at the beginning of the period		589,447	7,243,906	1,206,560	7,698,360
Cash and cash equivalents at the end of the period	15	**1,487,377**	**7,245,865**	**589,447**	**7,243,906**

Footnotes

1. The "Other" lines within the Consolidated Statement of Cash Flows include cash flow items recorded by underlying NHS bodies not separately identified within the Resource Account format. This includes an immaterial adjustment to ensure the internal consistency of the Resource Account Consolidated Statement of Cash Flows.

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 Department & Agencies			Departmental Group					
		General Fund	Revaluation Reserve	**Taxpayers' Equity**	General Fund	Revaluation Reserve	Other Reserves	**Taxpayers' Equity**	Charitable Funds	**Total Reserves**
	Note	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 1 April 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	17.1	(1,634,218)		(1,634,218)	(1,634,218)			(1,634,218)		(1,634,218)
CFERs and other amounts payable to the Consolidated Fund	17.1	(220)		(220)	(220)			(220)		(220)
PDC investment adjustment		(312,473)		(312,473)	-			-		-
Comprehensive Net Expenditure for the Year[1]		(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, 5	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)
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**

Footnotes

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

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

Notes to the Department's Annual Report and Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Health for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department of Health are described below. They have been applied consistently in dealing with items considered material to the accounts.

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

The 2014-15 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.
- Receipts of National Insurance Contributions from the National Insurance Fund are recognised on a cash basis.

1.1 Prior period reclassification

From 2014-15 onwards "PFI / LIFT and other service concession arrangements charges" are captured as a separate expenditure category in Notes 4 (Administration Costs) and 5 (Programme Costs). The charges being the service charges for on-Statement of Financial Position schemes and the total charges for off-Statement of Financial Position schemes. These charges were previously incorporated within a number of other expenditure categories within Notes 4 and 5 (see footnotes to these Notes for further details). As the total charges are significant the prior period figures have been reclassified to remove the charges from the expenditure categories within which they were previously reported and separately disclose them within the "PFI / LIFT and other service concession arrangement charges" category to aid year-on-year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported and as such is not presented as a prior period restatement but is noted here for transparency. The amended presentation provides a more transparent breakdown of the expenditure incurred by the Departmental Group and is in line with presentational requirements recommended by HM Treasury.

The Department has tightened up the application of the Capital Commitment Definition in 2014-15. This has resulted in capital commitments (note 10.1) being disclosed as other financial commitments (note 10.4) and it has been necessary to amend the prior year figures.

The Fees and Charges note (note 6.3) has been restated to include the cost of Pharmaceutical Services within the Full Cost of providing Prescription Services.

Prior year figures in relation to Average Number of Persons Employed (note 3.2) have been restated to take account of Trusts that have become Foundation Trusts in year, as these numbers were previously overstated.

1.2 Operating segments

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

1.3 Accounting convention

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

1.4 Basis of consolidation

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

1.5 Going Concern

The Department of Health's Annual Report and Accounts are produced on a going concern basis. The Department is supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future.

1.6 Employee Benefits

Recognition of short-term benefits

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

Retirement benefit costs:
Principal Civil Service Pension Scheme

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

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

NHS Pension Scheme

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

This scheme is an unfunded, defined benefit scheme which covers NHS employers, General Practices and other bodies allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as being equal to the contributions payable to the scheme for the accounting period.

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

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

1.7 Administration and programme costs

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

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

1.8 Grants payable

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

1.9 Audit costs

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

1.10 Value added tax

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

1.11 Income

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

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

1.12 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

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

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

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value. Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

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

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost as a proxy for fair value. This is in accordance with FReM requirements as these assets have short useful lives or low values or both.

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

Subsequent expenditure

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

1.13 Intangible non current assets

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

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

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

Recognition and Valuation of intangible assets relating to DH Informatics programmes

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

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

Since 2006 the Department has used a financial model to apportion expenditure on the Local Service IT Provider contracts for the South, London and North, Midlands and East. The model is reviewed regularly, with the latest such review being carried out in March 2015. During this review it was found that as the deployments to South and London have now been completed, the model was now no longer required.

Applying the financial models, DH Informatics programme assets are capitalised by reference to the remaining two contracts and not individual assets. In terms of valuing these Local Service Provider assets, the financial model output alone is used.

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

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

1.14 Research and development

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

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

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

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

1.15 Depreciation, amortisation and impairments

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

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

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

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

1.16 Donated assets

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

1.17 Government grants

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

1.18 Non-current assets held for sale

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

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

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

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

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

1.19 Leases

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

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

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

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

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

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

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

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

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

a) Services received

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

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

The PFI assets are recognised as property, plant and equipment when they come into use. They are measured initially at fair value in accordance with the principles of IAS 17. Subsequent

measurement is carried at fair value in accordance with IAS 16. A PFI/LIFT liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

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

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

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

c) Lifecycle replacement

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

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

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

Assets contributed by consolidated bodies to the operator for use in the scheme

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

Other assets contributed by consolidated bodies to the operator

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

1.21 Inventories and stockpiled goods

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

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

1.22 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of cash management. Cash, bank and overdraft balances are recorded at current values.

1.23 Provisions

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

Early retirement provisions are discounted using HM Treasury's pension discount rate of 1.30% (2013-14: 1.80%) in real terms. All other provisions (general provisions) are subject to three separate discount rates according to the expected timing of cashflows. A short term rate of -1.50% (2013-14: -1.90%) 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 -1.05% (2013-14: -0.65%) is applied to the time boundary of after 5 and up to and including 10 years and a long-term rate of 2.20% (2013-14: 2.20%) is applied to expected cashflows exceeding 10 years (all percentages are in real terms).

1.24 Clinical and non-clinical negligence costs

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

Calculation of the provision for each scheme is made using:

- probability factors. The probability of a claim having to be settled is assessed between 10% and 94%. This probability is applied to the gross value to give the probable cost of each claim; and
- a discount factor calculated using HM Treasury's real discount rates noted in Note 1.23 above (i.e. short term -1.50%, medium term -1.05% and long term 2.20%), RPI of 3% and claims inflation (varying between schemes) of between 5% and 10%, is applied to the probable cost to take into account the likely time to settlement.

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

Existing Liabilities Scheme (ELS) and Ex-Regional Health Authorities (Ex-RHA) Scheme

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

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

Clinical Negligence Scheme for Trusts (CNST)

A provision for this scheme is calculated in accordance with IAS 37 by discounting the gross value of all claims received relating to incidents that occurred on or before 31 March 2015 and after 1 April 1995.

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

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

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

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

Property Expenses Scheme and Liability to Third Parties Scheme

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

Incidents Incurred but not reported (IBNR)

IAS 37 requires the inclusion of liabilities in respect of incidents which have been incurred but not reported to the NHS Litigation Authority as at 31 March 2015 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 18 and 19 respectively. The sums concerned are accounting estimates, and, although determined on the basis of information currently available, the ultimate liabilities may vary as a result of subsequent developments.

1.25 Contingent liabilities and contingent assets

A contingent liability is:

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

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

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

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

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

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

1.26 Financial instruments

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

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

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

closing mid-market rate from the Bank of England. The forward contracts will only have a fair value up to their date of settlement. Once each contract has been settled, it is removed from the Department's Consolidated Statement of Financial Position. Any forward contracts are purchased from the Bank of England. As at 31 March 2015 the Department had no foreign currency forward purchase contracts in place.

1.27 Financial assets

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

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

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 CSCNE.

1.28 Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

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

1.29 Foreign exchange

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

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

1.30 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Department or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Futher information can be found on the HMT website. Losses and special payments are disclosed in Note 20.

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

1.31 NHS Charities

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

1.32 Transfer of Functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the Group are outside the scope of IFRS 3 Business Combinations. When functions transfer between two public sector bodies (except for Department to Department transfers) the FReM requires the application of "absorption accounting". Absorption accounting requires that entities account for their transactions in the period in which those transactions took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the CSCNE, and is disclosed separately from operating costs. For transfers between bodies within the Departmental Group, no net impact arises in the consolidated Resource Account as a consequence of the application of absorption accounting as gains and losses are eliminated on consolidation. A non-eliminating net gain or loss is recognised where transfers involve a non-Departmental counter-party that is within the public sector but outside the DH Group.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts in 2014-15, were they applied in that year:

- IFRIC 21 Levies - EU adopted in June 2014 but not yet adopted by HM Treasury
- IFRS 9 Financial Instruments - subject to consultation
- IFRS 13 Fair Value Measurement - Effective from 1 April 2015
- IFRS 15 Revenue for Contract with Customers - expected to be effective in 2017-18

1.34 Significant Accounting Policies and material judgements

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

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

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

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

2. Statement of Operating Costs by Operating Segment

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

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

2.1 Departmental Group Summary

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
Administration gross expenditure	2,858,291	428,762	250,276	-	1,947,960	310,817	113,833	-	(2,748,302)	3,161,637
Administration income	(21,028)	(56,026)	(19,470)	-	(141,377)	(4,114)	(123,523)	-	85,799	(279,739)
Administration net expenditure	**2,837,263**	**372,736**	**230,806**	**-**	**1,806,583**	**306,703**	**(9,690)**	**-**	**(2,662,503)**	**2,881,898**
Programme gross expenditure	108,289,836	3,431,819	8,785,369	74,202,933	97,784,363	288,552	1,234,764	609,017	(174,383,732)	120,242,921
Programme income	(1,668,104)	(179,825)	(1,288,240)	(72,710,543)	(2,014,531)	(173,191)	(966,998)	(342,346)	70,562,223	(8,781,555)
Programme net expenditure	**106,621,732**	**3,251,994**	**7,497,129**	**1,492,390**	**95,769,832**	**115,361**	**267,766**	**266,671**	**(103,821,509)**	**111,461,366**
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

2013-14

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

2.2 Departmental Group Detail – Expenditure

	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
										2014-15
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[1]	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	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[2]	-	-	-	854,841	-	-	75,101	-	-	929,942
Business Rates Paid to Local Authorities[3]	6,840	-	-	254,730	9,960	1,736	-	-	-	273,266
NHS CIO major contract costs	374,887	-	-	-	-	-	-	-	-	374,887
Clinical Negligence Costs	-	-	-	1,052,668	391	-	-	-	(1,052,957)	102
Education, Training & Conferences	5,592	4,906	5,441	266,247	135,425	5,111	1,035	-	(15,542)	408,215
MPET	-	-	4,780,428	-	-	-	-	-	(3,194,244)	1,586,184
Prescribing Costs	-	-	-	-	8,216,012	-	-	-	(9,756)	8,206,256
G/PMS	-	-	-	-	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
Current Grants to Other Bodies	164,206	315	-	-	18,521	4	-	-	(81,508)	101,538
Current Grants to Local Authorities	100,472	2,794,899	-	-	-	-	-	-	-	2,895,371
Capital Grants	231,722	13,865	-	-	66,275	-	-	-	-	311,862
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 Expenditure	1,035,355	2,599	-	184,873	13,953	-	-	-	(774,713)	462,067
Depreciation	44,234	18,867	6,566	2,035,610	48,879	8,104	110,398	-	-	2,272,658
Amortisation	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	720,735	122	146,893	859,680	22,428	38,588	40,881	-	336,560	2,165,887
Total Goods and Services from Other NHS Bodies[4]	-	-	-	106,874	62,510,906	-	(15)	-	(62,585,798)	31,967
Additional support for delivery of healthcare services[5]	302,464	-	-	-	50,636	-	-	-	(353,100)	-
DH support for mergers[6]	91,131	-	-	-	-	-	-	-	(91,131)	-
Resources expended by NHS charities	-	-	-	-	-	-	-	609,017	(100,800)	508,217
Non material expenditure categories	27,514	13,316	34,359	239,204	168,725	9,343	18,737	-	(26,440)	484,758
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**

Footnotes

1. The year on-year increase in Core Department consultancy costs (from £0.6m in 2013-14 to £8.7m in 2014-15) is predominantly due to a 2013-14 reversal of accrued expenditure from 2012-13, which reduced the prior year figure. In 2013-14 the Department's Agency Public Health England incorrectly recorded consultancy expenditure of £10.8m. Given the low value of the correction, in the context of the overall account, the Prior Period statements have not been restated. However the correct figures can be seen in table C12.
2. From 2014-15 onwards "PFI / LIFT and other service concession arrangements charges" are captured as a separate expenditure category. The charges being the service charges for on-Statement of Financial Position schemes and the total charges for off-Statement of Financial Position schemes. These charges were previously incorporated within a number of other expenditure categories including premises and other. As the total charges are significant the prior period figures have been reclassified to remove the charges from the expenditure categories within which they were previously reported and separately disclose them within the "PFI / LIFT and other service concession arrangement charges" category to aid year-on-year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported and as such is not presented as a prior period restatement but is noted here for transparency. The amended presentation provides a more transparent breakdown of the expenditure incurred by the Departmental Group and is in line with presentational requirements recommended by HM Treasury.
3. From 14-15 following new Whole of Government disclosures there is separate analysis for Business rates paid to Local Authorities. The figures for 13-14 have not been reclassified as the costs are immaterial in the context of the Group account.
4. From 2014-15 onwards "Total Goods and Services from Other NHS Bodies" has been presented as a separate expenditure category to improve the clarity of the information presented. These costs were previously recorded within "Other".
5. ''Additional support for the Delivery of Healthcare Services" is a new item of Core Department expenditure in 2014-15. In 2014-15 the Department agreed to make available £302.5 million of non-recurrent income for NHS Providers. Receipt of this income is dependent on a number of conditions related to the Trust's deficit, delivery of service standards and compliance with Secretary of State's guidance under section 42A of the NHS Act 2006.
6. ''DH Support for mergers" is a new item of Core Department expenditure in 14-15. The Department made available £91.1 million to support reconfigurations of NHS Providers.
7. 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 notes 4 and 5 to these accounts.

										2013-14
	DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England Group £000	Non-Departmental Public Bodies £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Total net expenditure (per CSCNE)	**105,547,315**	**3,498,281**	**8,406,201**	**1,171,920**	**94,506,940**	**375,879**	**158,395**	**56,341**	**(102,536,031)**	**111,185,241**
Material Expenditure Items										
Staff costs	175,306	285,454	238,886	45,348,113	1,529,067	327,520	101,573	-	(4,139)	48,001,780
Purchase of Healthcare from Non-NHS bodies	-	-	-	645,452	9,373,429	-	-	-	-	10,018,881
Social Care from Independent Providers	-	-	-	-	858,993	-	-	-	-	858,993
Expenditure on Drugs Action Teams	-	-	-	-	9,019	-	-	-	-	9,019
Non-GMS Services from GPs	-	-	-	-	-	-	-	-	-	-
General Dental Services (GDS) and Personal Dental Services (PDS)	-	-	-	-	3,079,683	-	-	-	(339,631)	2,740,052
Consultancy Services	588	10,868	2,020	412,394	128,917	28,946	4,271	-	(3,890)	584,114
Establishment	14,119	7,110	39,396	894,222	339,365	25,881	20,703	-	(68,074)	1,272,722
Transport	(1)	9,095	1,710	355,998	19,634	4,261	3,139	-	(11,820)	382,016
Premises	21,074	26,303	44,958	2,721,084	148,193	8,897	343,841	-	(417,635)	2,896,715
PFI/Lift and other service concession arrangement charges	-	-	-	893,380	-	-	73,376	-	-	966,756
Business Rates Paid to Local Authorities	-	-	-	-	-	-	-	-	-	-
NHS CIO major contract costs	353,321	-	-	-	-	-	-	-	-	353,321
Clinical Negligence Costs	-	-	-	985,723	304	-	-	-	(985,989)	38
Education, Training & Conferences	3,020	4,398	1,606	285,727	135,313	3,450	649	-	(15,727)	418,436
MPET	-	-	4,770,615	-	-	-	-	-	(3,071,836)	1,698,779
Prescribing Costs	-	-	-	-	8,029,603	-	-	-	(14,364)	8,015,239
G/PMS	-	-	-	-	7,590,085	-	-	-	(33,984)	7,556,101
Pharmaceutical Services	-	-	-	-	2,101,665	-	-	-	(1,892)	2,099,773
General Ophthalmic Services	-	-	-	-	523,237	-	-	-	(30)	523,207
Supplies and Services - Clinical	-	-	124	3,787,220	174,677	-	984	-	(73,071)	3,889,934
Supplies and Services - General	-	248,655	1,563	1,081,478	565,785	58,491	47,084	-	(341,684)	1,661,372
Current Grants to Other Bodies	189,760	-	-	-	633	-	-	-	(96,164)	94,229
Current Grants to Local Authorities	50,912	2,662,919	-	-	-	-	-	-	-	2,713,831
Capital Grants	387,800	15,032	-	-	92,154	-	-	-	(30)	494,956
Impairment of Receivables	3	29	-	118,445	16,229	327	23,735	-	(1,104)	157,664
Inventories consumed	-	323,009	-	7,217,206	2,730	-	-	-	-	7,542,945
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	778,604	-	-	-	-	(778,604)	-
Rentals under operating leases	15,001	15,009	4,538	610,799	368,376	15,179	191,820	-	(435,327)	785,395
Interest charges	927	-	-	782,416	58	-	172,925	-	(66,367)	889,959
Research and Development Expenditure	1,036,773	1,630	-	179,923	13,065	334	-	-	(732,268)	499,457
Depreciation	70,211	19,680	4,914	2,037,851	43,319	7,301	111,875	-	-	2,295,151
Amortisation	520,239	3,695	10,226	101,989	1,878	13,875	-	-	-	651,902
Impairments and reversals	53,674	25,775	(6,116)	1,057,737	118,405	682	5,802	-	-	1,255,959
Provisions provided for in year	632,416	5,509	4,537,953	181,691	113,778	1,030	117,385	-	-	5,589,762
Non-cash expenditure from movement in pension liability	-	-	-	4,206	-	8,613	-	-	-	12,819
Grant in Aid	93,805,347	-	-	-	-	-	-	-	(93,805,347)	-
Funding to Group Bodies	8,730,684	-	-	-	-	-	-	-	(8,730,684)	-
Provisions - Change in discount rate	(3,429)	-	(110,067)	16,230	-	(27)	-	-	-	(97,293)
Other	845,077	1,206	145,936	787,372	40,179	24,643	31,900	-	177,983	2,054,296
Total Goods and Services from Other NHS Bodies	-	-	-	115,561	60,809,685	-	1,380	-	(60,961,450)	(34,824)
Additional support for delivery of healthcare services	-	-	-	-	-	-	-	-	-	-
DH support for mergers	-	-	-	-	-	-	-	-	-	-
Resources expended by NHS charities	-	-	-	-	-	-	-	401,825	(66,678)	335,147
Non material expenditure categories after inter-company eliminations	3,701	64,462	(42,431)	156,052	122,849	5,450	21,117	-	(65,618)	265,582
Total Expenditure	**106,906,523**	**3,729,838**	**9,645,831**	**71,556,873**	**96,350,307**	**534,853**	**1,273,559**	**401,825**	**(170,945,424)**	**119,454,185**

2.3 Departmental Group Detail -Income

	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	2014-15 Departmental Group £000
Material Income Items										
Income from Local authorities	-	-	-	(1,813,475)	-	-	-	-	-	(1,813,475)
Income from Private patients	-	-	-	(526,138)	-	-	-	-	-	(526,138)
Patient Care Income from DH/NHS bodies[1]	-	-	-	(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[1]	-	-	-	(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[1]	(17,957)	-	-	(88,319)	-	(236)	(712,220)	-	566,995	(251,737)
Non patient care services to other bodies[1]	-	-	(11)	(724,787)	(368,117)	(52,659)	(31,947)	-	515,363	(662,158)
Support from DH for mergers	-	-	-	(91,131)	-	-	-	-	91,131	-
Other income	(183,106)	-	(3,074)	(1,482,852)	(281,337)	(6,122)	(310,865)	-	576,975	(1,690,381)
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**

Footnote

1. From 2014-15 onwards, " Patient care from DH/NHS bodies", "Other non-NHS patient care services", "Rental revenue from operating leases" and "Non-patient care services to other bodies" have been presented as separate income categories to improve the clarity of the information presented. This income was previously recorded within "Non-material income categories".

2013-14

	DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England Group £000	Non-Departmental Public Bodies £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Material Income Items										
Income from Local authorities	-	-	-	(1,817,812)	-	-	-	-	-	(1,817,812)
Income from Private patients	-	-	-	(501,708)	-	-	-	-	-	(501,708)
Patient Care Income from DH/NHS bodies	-	-	-	(60,810,445)	-	-	-	-	60,711,588	(98,857)
Additional Income for delivery of healthcare	-	-	-	-	-	-	-	-	-	-
Other non-NHS patient care services	-	-	-	(396,633)	-	-	-	-	-	(396,633)
Interest revenue	(96,444)	(18)	-	(22,471)	-	(7)	(12,913)	-	66,489	(65,364)
Prescription Pricing Regulation Scheme	(156,799)	-	-	-	-	-	-	-	-	(156,799)
Prescription Fees and Charges	-	-	-	-	(470,682)	-	-	-	-	(470,682)
Dental Fees and Charges	-	-	-	-	(683,583)	-	-	-	-	(683,583)
Other Fees and Charges	-	(229,911)	(1,150,043)	(183,400)	-	(108,676)	-	-	1,265,429	(406,601)
PDC Dividend Received	(778,604)	-	-	-	-	-	-	-	778,604	-
Education, training and research	-	(1,628)	(78,047)	(3,713,286)	(299,335)	-	-	-	3,777,150	(315,146)
Income from Injury costs recovery	-	-	-	(201,857)	-	-	-	-	-	(201,857)
Charitable and other contributions to expenditure	-	-	-	(95,156)	(2,067)	-	-	-	39,201	(58,022)
Rental revenue from operating leases	(12,958)	-	-	(91,462)	-	(262)	(629,681)	-	544,463	(189,900)
Non patient care services to other bodies	-	-	(11,008)	(712,117)	(238,317)	(40,946)	(50,596)	-	504,075	(548,909)
Support from DH for mergers	-	-	-	-	-	-	-	-	-	-
Other income	(243,666)	-	(276)	(1,494,143)	(147,618)	(8,056)	(419,146)	-	646,121	(1,666,784)
Income received by NHS charities	-	-	-	-	-	-	-	(345,484)	-	(345,484)
Non-material income categories after inter-company eliminations	(70,737)	-	(256)	(344,463)	(1,765)	(1,027)	(2,828)	-	76,273	(344,803)
Total Income	**(1,359,208)**	**(231,557)**	**(1,239,630)**	**(70,384,953)**	**(1,843,367)**	**(158,974)**	**(1,115,164)**	**(345,484)**	**68,409,393**	**(8,268,944)**
Total net expenditure (per CSCNE)	**105,547,315**	**3,498,281**	**8,406,201**	**1,171,920**	**94,506,940**	**375,879**	**158,395**	**56,341**	**(102,536,031)**	**111,185,241**

3. Staff numbers and related costs

3.1 Staff costs comprise:

	Permanently employed staff	Others	Ministers	Special advisors	2014-15 £'000 Total	2013-14 £'000 Total
Salaries and wages	37,187,004	5,353,544	231	202	42,540,981	40,711,302
Social Security costs	2,930,959	76,036	22	20	3,007,037	2,955,879
NHS Pension	4,367,644	92,697	-	-	4,460,341	4,376,163
Other pension costs	47,617	(12,402)	-	43	35,258	58,212
Termination benefits	121,699	8,146	-	72	129,917	96,290
Sub-total	**44,654,923**	**5,518,021**	**253**	**337**	**50,173,534**	**48,197,846**
Less recoveries in respect of outward secondments	(28,604)	(51,286)	-	-	(79,890)	(72,238)
Total Net Costs	**44,626,319**	**5,466,735**	**253**	**337**	**50,093,644**	**48,125,608**

Of which:

2014-15 £'000	Charged to Administration budgets	Charged to Programme budgets	Charged to Capital	Total
Core Department	105,338	5,821	83	111,242
Agencies	128,435	186,671	641	315,747
Other designated bodies	1,665,774	47,929,319	144,257	49,739,350
Less elimination of intra-group expenditure	(116)	(72,579)	-	(72,695)
Total	**1,899,431**	**48,049,232**	**144,981**	**50,093,644**

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

The reduction in the Core Department’s staff costs of £66.7m is due to the departure of staff working on the closure of Primary Care Trusts (PCTs) and Strategic Health Authorities, and the recognition of inherited pension liabilities from PCTs, both during 2013-14.

Termination benefits have increased by £33.6m from 13-14 to 14-15. This is primarily in respect of restructuring of area/team structures and the outsourcing of Primary Care Support (PCS) services for NHS England. The staff are due to leave in early 2015-2016.

3.2 Average number of persons employed

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

					2014-15 Number	Restated 2013-14 Number
	Permanent staff	Others	Ministers	Special Advisors	Total	Total
Core Department						
Core Department	1,859	246	5	4	2,114	2,306
Executive Agencies						
Public Health England	5,241	317	-	-	5,558	5,196
Other designated bodies						
NHS Providers	999,093	100,030	-	-	1,099,123	1,070,485
Special Health Authorities	4,724	588	-	-	5,312	5,266
NHS England Group	17,763	12,879	-	-	30,642	28,074
Non Departmental Public Bodies	5,774	524	-	-	6,298	5,750
Others	2,375	362	-	-	2,737	2,861
Total	**1,036,829**	**114,946**	**5**	**4**	**1,151,784**	**1,119,938**

Of the above, the following staff were engaged on capital projects:

Core Department (including DH Informatics Directorate)	2	-	2	-	-	-
Agencies	7	7	-	-	-	5
Other designated bodies	3,077	1,970	1,107	-	-	2,502

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

	2014-15 Number	Restated 2013-14 Number
	NHS Providers	NHS Providers
Medical and dental	111,129	108,884
Ambulance staff	25,188	24,545
Administration and estates	229,564	224,086
Healthcare assistants and other support staff	161,503	156,999
Nursing, midwifery and health visiting staff	365,822	358,169
Nursing, midwifery and health visiting learners	7,578	7,912
Scientific, therapeutic and technical staff	153,932	151,207
Social Care staff	2,341	2,822
Other	42,066	35,861
Total	1,099,123	1,070,485

Staff numbers in the accounts are calculated using a financial year average. The prior year figures have been restated to take account of Trusts that have become Foundation Trusts in year.

The staff costs and staff numbers published in this Resource Account are not fully comparable. This is because certain types of staff are categorised differently between staff numbers and staff costs. The format for reporting staff numbers in Resource Accounts, taking the numbers at the end of each quarter and then averaging them over the year, is in line with public sector accounts disclosure requirements. Staff numbers reported must be consistent with those reported to the Office for National Statistics throughout the year, the categorisation of which is determind by statisticians.

The average number of WTE permanent staff in the Core Department is broadly unchanged in 2014-15 at 1,859 (1,853 WTE in 2013-14). The average number of WTE other staff in the Core Department has reduced from 444 in 2013-14 to 246 in 2014-15. This significant reduction is due to the departure of staff working on the closure of Primary care Trusts and Strategic Health Authorities during 2013-14. Other staff salaries and wages costs reduced by £24.1 million in 2014-15 compared to 2013-14 largely as a result of this reduction in peripheral workers.

There has been an increase in the average number of staff employed by NHS providers of 28,638 due to unplanned growth in A&E and non-elective activities and maintaining a safe staffing level. Staff numbers for NHS England have increased by 2,568, this has been due to the filling of vacant posts from 2013-2014 and the average staff numbers for 2014-2015 include staff that will be leaving in early 2015-2016 as set out in note 3.1 due to restructuring.

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

2014-15

	Core Department				Core Department & Agencies				Departmental Group			
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made
<£10,000	-	1	1	1	2	14	16	1	506	1,345	1,851	17
£10,001 - £25,000	-	4	4	1	1	56	57	1	661	917	1,578	16
£25,001 - £50,000	-	1	1	-	-	90	90	-	563	770	1,333	5
£50,001 - £100,000	-	2	2	2	2	64	66	2	408	405	813	6
£100,001 - £150,000	-	2	2	1	-	15	15	1	144	109	253	2
£150,001 - £200,000	-	-	-	-	-	9	9	-	79	51	130	-
>£200,000	-	1	1	1	-	6	6	1	55	50	105	5
Total Number	**-**	**11**	**11**	**6**	**5**	**254**	**259**	**6**	**2,416**	**3,647**	**6,063**	**51**
Total Cost (£)	**-**	**899,156**	**899,156**	**701,944**	**175,064**	**14,052,472**	**14,227,536**	**701,944**	**108,580,211**	**111,265,714**	**219,845,925**	**2,025,270**

2013-14

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

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has

agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

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

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department of Health is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions.

For 2014-15, employers' contributions of £17,228,477 were payable to the PCSPS (2013-14: £16,920,087) at one of four rates in the range 16.7% to 24.3% (2013-14: 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 2014-15 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 £66,174 (2013-14: £62,302) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,429, 0.8% of pensionable pay (2013-14: £4,959, 0.8%), 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. Details can be found on the pension scheme website at www.nhsbsa.nhs.uk/pensions.

For 2014-15, employers' contributions were payable to the NHS Pension Scheme at the rate of 14% of pensionable pay. The scheme's actuary reviews employer contributions, usually every four years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2014. The change in employer contribution will take effect from April 2015 and the employer contribution rate will move to 14.3%. These costs are included in the NHS pension line of note 3.1.

Of the £4,460 million (2013-14: £4,376 million) against NHS pension costs in note 3.1, £139 million is attributable to NHS England Group (2013-14 £129 million), £1,724 million (2013-14

£1,750 million) to NHS Trusts and £2,524 million (2013-14 £2,428 million) to NHS Foundation Trusts with the balance of £73 million (2013-14 £69 million) to arm's length bodies.

3.4 Analysis of Other Departures

	Agreements	Total value of agreements
	Number	£000s
Voluntary redundancies including early retirement contractual costs	1,628	75,976
Mutually agreed resignations (MARS) contractual costs	935	22,276
Early retirements in the efficiency of the service contractual costs	53	2,019
Contractual payments in lieu of notice	1,001	7,503
Exit payments following Employment Tribunals or court orders	63	1,464
Non-contractual payments requiring HMT approval*	51	2,029
Total	**3,731**	**111,267**

*includes any non-contractual severance payment made following judicial mediation.

As a single exit package can be made up of several components, each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in Note 3.3, which will be the number of individuals.

The Core Department made two non-contractual payments to individuals where the payment value was more than 12 months of their annual salary. These payments are included in Note 20.2 Special Payments.

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

4 Other Administration Costs

	Note	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
				2014-15 £'000			2013-14 £'000
Rental Under Operating Leases		14,201	24,505	66,038	14,726	15,288	86,178
PFI/LIFT and other service concession arrangements charges		-	-	-	-	-	-
Interest Charges		13	13	3,014	58	58	5,835
Chair and non-executive Directors' costs		-	-	52,564	-	-	49,869
Supplies and services - clinical (excluding Drugs)		-	-	692	-	-	426
Supplies and services - general		-	31,771	123,497	-	34,046	128,819
Goods and services from other NHS bodies		-	-	-	-	-	(2,393)
Multi Professional Education and Training (MPET)		-	-	-	-	-	-
G/PMS, APMS and PCTMS[1]		-	-	3,022	-	-	3,539
Non GMS Services from GPs		-	-	-	-	-	-
Consultancy services		1,618	1,618	80,790	1,387	8,380	94,281
Establishment		9,549	11,516	170,014	5,000	9,180	215,493
Transport (Business Travel)		29	4,150	20,621	(1)	3,226	17,622
Premises		11,182	13,400	93,022	20,637	33,470	120,295
Business rates paid to local authorities[2]		6,728	6,728	8,747	-	-	-
Legal fees		-	185	61,159	-	54	30,937
Audit fees - statutory audit		-	-	19,100	-	-	19,965
Other auditor's remuneration		-	4	3,423	-	3	8,839
Clinical negligence		-	-	74	-	-	38
Research and development		65	237	1,796	9,532	9,599	13,912
Education, Training and Conferences		2,384	4,082	32,569	1,385	3,387	31,342
Insurance		11	15	735	13	34	580
Grants to Local Authorities		-	223,000	223,000	-	237,000	237,000
Grants to Other bodies		-	146	146	-	-	-
Capital Grants		-	-	31,900	6,837	7,361	60,954
NHS Informatics Major Contracts Cost		-	-	-	(29)	(29)	(29)
Non cash items							
Depreciation on property, plant and equipment		10,661	26,136	70,991	8,049	21,377	64,834
Amortisation on intangible assets		2,538	4,440	26,381	602	2,243	19,218
Profit on disposal of non-current assets and assets held for sale		-	-	-	-	-	(1)
Loss on disposal of non-current assets and assets held for sale		653	950	3,763	229	527	2,608
Impairments and reversals		-	-	(10,262)	1,191	1,191	(4,925)
Audit fees - non cash[3]		630	820	910	747	957	1,047
Movement in provision for impairment of receivables		699	1,265	4,761	-	29	4,688
Inventories write down		-	-	-	-	-	-
Inventories consumed		-	-	-	-	-	2,730
Prior period adjustments in local accounts (non cash)		-	-	-	-	-	-
Other non-cash expenditure		432	432	432	-	-	-
Prior period adjustments in local accounts		-	-	-	-	-	(147)
Other[4,5]		29,057	30,849	169,307	96,549	80,656	279,348
Sub total[6]		**90,450**	**386,262**	**1,262,206**	**166,912**	**468,037**	**1,492,902**
Grant in Aid		2,237,639	2,237,639	-	2,334,748	2,334,748	-
Funding to Group Bodies		424,864	61,851	-	368,547	177,893	-
Total		**2,752,953**	**2,685,752**	**1,262,206**	**2,870,207**	**2,980,678**	**1,492,902**

Footnotes

1. General Medical Services, /Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.
2. From 14-15 following new Whole of Government disclosures there is separate analysis for Business rates paid to Local Authorities. The figures for 13-14 have not been re–categorised as the costs are immaterial in the context of the Group account.
3. The Core Department audit fee represents the cost of the audit of the Department's Annual Report and Accounts carried out by the Comptroller and Auditor General.
4. The Core Department Other administration expenditure figure of £29.1 million (£96.5 million in 2013-14) includes £15.3 million of professional fees (£17.0 million in 2013-14) and £13.6 million in respect of outsourcing contracts (£37.9 million in 2013-14).
5. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.2 *Departmental Group Detail – Expenditure*.
6. Core Department administration costs (excluding funding transactions) have decreased by £76.0m between 2013-14 and 2014-15. This is predominantly due to non-recurrent administration costs incurred in 2013-14 relating to the closing down of Primary Care Trusts and Strategic Health Authorities as part of the health and social care reforms.

Note 4 (b) – 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:

	2014-15 £'000 Departmental Group	2013-14 £'000 Departmental Group
Other administration costs - non-cash items (Note 4)	96,976	90,199
Programme costs - non-cash items (Note 5)	16,879,464	17,318,799
Less non-cash income (Note 6)	(145,549)	(23,697)
Other non-cash amounts charged to operating expenditure	-	-
Total non-cash transactions	**16,830,891**	**17,385,301**
Movement in provision for impairment of receivables	(164,782)	(157,664)
Inventories consumed	(8,224,303)	(7,542,945)
Inventories write down	(17,975)	(20,344)
Less non cash movements on SoFP balances analysed separately in the Cash Flow statement	**(8,407,060)**	**(7,720,953)**
Total non cash transactions as per Consolidated Statement of Cash Flows	**8,423,831**	**9,664,348**

5. Programme Costs

	Note	2014-15 £'000 Core Department	2014-15 £'000 Core Dept & Agencies	2014-15 £'000 Departmental Group	2013-14 £'000 Core Department	2013-14 £'000 Core Dept & Agencies	2013-14 £'000 Departmental Group
Rentals Under Operating Leases		102	1,398	557,447	275	14,667	699,217
PFI/LIFT and other service concession arrangements charges[2]		-	-	929,942	-	-	966,756
Interest charges		748	748	940,095	869	869	884,124
Chair and non-executive Directors' costs		-	-	27,222	-	-	27,037
Supplies and services - clinical (excluding Drugs)		-	-	4,096,480	-	-	3,889,508
Supplies and services - general		-	206,130	1,610,292	-	214,597	1,532,553
Goods and services from other NHS bodies		-	-	31,967	-	-	(32,431)
Additional support for delivery of healthcare services[3]		302,464	302,464	-	-	-	-
DH support for mergers[4]		91,131	91,131	-	-	-	-
Purchase of healthcare from non NHS bodies		-	-	11,076,532	-	-	10,018,881
Purchase of Social Care from Independent Providers		-	-	1,278,015	-	-	858,993
Expenditure on Drug Action Teams		-	-	1,369	-	-	9,019
General Dental Services (GDS) and Personal Dental Services (PDS)[5]		-	-	2,746,308	-	-	2,740,052
Multi Professional Education and Training (MPET)		-	-	1,586,184	-	-	1,698,779
Prescribing Costs		-	-	8,206,256	-	-	8,015,239
Pharmaceutical Services[6]		-	-	2,128,584	-	-	2,099,773
General Ophthalmic Services		-	-	527,700	-	-	523,207
G/PMS, APMS and PCTMS[7]		-	-	7,646,354	-	-	7,552,562
Non GMS Services from GPs		-	-	-	-	-	-
Consultancy services[8]		7,073	7,267	523,425	(799)	2,673	489,833
Establishment		44,179	44,083	1,093,895	9,119	12,542	1,057,229
Transport (Business Travel)		-	5,867	383,052	-	5,868	364,394
Premises		587	28,233	2,683,548	437	14,028	2,776,420
Business rates paid to local authorities[9]		112	112	264,519	-	-	-
Legal fees		-	820	128,642	-	126	93,072
Audit fees - statutory audit (cash)[10]		-	-	22,558	-	-	23,405
Other auditor's remuneration		-	-	8,079	-	-	9,969
Clinical negligence		-	-	28	-	-	-
Research and development		1,035,290	1,032,845	460,271	1,027,241	1,025,940	485,545
Education, Training and Conferences		3,208	6,443	375,646	1,635	4,025	387,095
Insurance		27	216	43,449	33	239	45,189
Grants to Local Authorities		100,472	2,672,371	2,672,371	50,912	2,476,831	2,476,831
Grants to Other bodies		164,206	164,375	101,392	189,760	189,760	94,229
Capital Grants		231,722	245,587	279,962	380,963	395,471	434,002
NHS Informatics Major Contracts Cost		374,887	374,887	374,887	353,350	353,350	353,350
Non cash items							
Movement in provision for impairment of receivables		562	562	160,021	3	3	152,976
Depreciation on property, plant and equipment		33,573	36,965	2,201,667	62,162	68,514	2,230,317
Amortisation on intangible assets		634,794	636,973	775,983	519,637	521,691	632,684
Profit on disposal of non-current assets and assets held for sale[11]		-	-	-	(327)	(327)	(42,413)
Loss on disposal of non-current assets and assets held for sale		29,653	29,696	45,852	12,147	63,035	82,185
Impairments and reversals		38,965	92,581	954,206	52,483	78,258	1,260,884
Audit fees - non cash		-	-	-	-	-	-
Non-cash expenditure from movement in pension liability		-	-	10,509	-	-	12,819
Provision provided for in year		678,685	689,346	4,312,937	632,416	637,925	5,589,762
Unwinding of discount on provisions		(881)	(881)	39,768	(4,362)	(4,362)	(32,657)
Change in discount rate		2,280	2,280	130,073	(3,429)	(3,429)	(97,293)
Inventories write down		-	10,084	17,975	202	12,858	20,344
Inventories consumed		-	327,748	8,224,303	-	323,009	7,540,215
Prior period adjustments in local accounts (non cash)		-	1,500	9,560	-	-	19,446
Other non-cash expenditure		(3,011)	(3,011)	(3,390)	(4,981)	(4,981)	(50,470)
Prior period adjustments in local accounts		-	-	2,957	-	-	(43,222)
Other[12,13]		691,678	689,982	1,996,580	748,528	749,138	1,774,948
Sub total		**4,462,506**	**7,698,802**	**71,685,472**	**4,028,274**	**7,152,318**	**69,624,356**
Grant in Aid		95,551,187	95,551,187	-	91,470,599	91,470,599	-
Funding to Group Bodies		8,270,322	5,003,207	-	8,362,137	4,972,172	-
Total		**108,284,015**	**108,253,196**	**71,685,472**	**103,861,010**	**103,595,089**	**69,624,356**

Footnotes

1. Core Department expenditure figures may be greater than those of the Departmental Group due to the elimination of intercompany trading.

2. From 2014-15 onwards "PFI / LIFT and other service concession arrangements charges" are captured as a separate expenditure category. The charges being the service charges for on-balance sheet schemes and the total charges for off-balance sheet schemes. These charges were previously incorporated within a number of other expenditure categories including premises and other. As the total charges are significant the prior period figures have been reclassified to remove the charges from the expenditure categories within which they were previously reported and separately disclose them within the "PFI / LIFT and other service concession arrangement charges" category to aid year-on-year comparability. This is a presentational reclassification only with nil impact on the overall level of expenditure reported and as such is not presented as a prior period restatement but is noted here for transparency. The amended presentation provides a more transparent breakdown of the expenditure incurred by the Departmental Group and is in line with presentational requirements recommended by HM Treasury.
3. ''Additional support for the Delivery of Healthcare Services" is a new item of Core Department expenditure in 2014-15. In 2014-15 the Department agreed to make available £302.5 million of non-recurrent income for NHS Providers. Receipt of £176.0m of this income is dependent on a number of conditions related to the Trust's deficit, delivery of service standards and compliance with Secretary of State's guidance under section 42A of the NHS Act 2006.
4. ''DH Support for mergers" is a new item of Core Department expenditure in 14-15. The Department made available £91.1 million to support reconfigurations of NHS Providers.
5. General Dental Services (GDS) and Personal Dental Services (PDS) are alternative models for dental care.
6. Pharmaceutical Services includes Local Pharmaceutical Services Pilots and the New Pharmacy Contract.
7. General /Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.
8. The year on-year increase in Core Department consultancy costs (from -£0.8m in 2013-14 to £7.1m in 2014-15) is predominantly due to a 2013-14 reversal of accrued expenditure from 2012-13, which reduced the prior year figure. In 2013-14 the Department's Agency Public Health England incorrectly recorded consultancy expenditure. Given the low value of the correction, in the context of the overall account, the Prior Period statements have not been restated. However the correct figures can be seen in table C12.
9. From 14-15 following new Whole of Government disclosures there is separate analysis for Business rates paid to Local Authorities. The figures for 13-14 have not been reclassified as the costs are immaterial in the context of the Group account.
10. The audit fee represents the programme cost for the audit of the underlying financial statements of consolidated bodies. With the exception of NHS Foundation Trusts, consolidated bodies are audited by the Comptroller and Auditor General (NHS England, arm's length bodies and Special Health Authorities) or an Audit Commission appointed auditor (NHS Trusts and Clinical Commissioning Groups) and include expenditure in respect of audit fees in their individual accounts. The accounts of NHS Foundation Trusts are audited by auditors appointed by their board of governors and also include expenditure in respect of audit fees. Other group bodies, such as NHS Property Services Ltd and Community Health Partnerships Ltd appoint their own auditors.
11. From 2014-15 , following an amendment to the HM Treasury Financial Reporting Manual, profits on the disposal of non-current assets and assets held for sale are categorised as income rather than negative expenditure as in previous years. The prior year cost and income notes have not been amended as profits on disposal are immaterial in the context of the Group account.
12. A breakdown of the Departmental Group Other by sector is provided in Note 2.2 Departmental Group Detail – Expenditure.
13. The Core Department Other programme expenditure figure of £691.7 million (£748.5 million in 2013-14) includes £276.0 million of policy payments (£210.2 million in 2013-14), £161.2 million in respect of outsourcing contracts (£171.6 million in 2013-14) and £144.6 million Healthy Start and Welfare Foods payments (£153.1 million in 2013-14).

6. Income

6.1 Administration Income

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Non Trading Income						
Other Fees and Charges	-	55,495	68,133	-	39,927	50,558
Education, training and research	-	531	6,171	-	446	5,101
Charitable and other contributions to expenditure	-	-	1,295	-	-	495
Non-patient care services to other bodies	-	-	19,557	-	-	19,375
Profit on disposal	164	164	2,388	-	-	-
Rental revenue from finance leases	-	-	11	-	-	20
Rental revenue from operating leases	17,878	13,842	15,735	12,970	11,036	1,304
Interest and investment income	-	-	11,533	-	18	11,570
Dividends	-	-	6,229	-	-	1,877
Income in respect of Staff Costs	-	-	3,032	-	-	2,480
Funding from other Government departments	-	-	336	-	-	256
Other	2,986	2,507	145,319	2,513	7,572	150,804
Total Administration Income	**21,028**	**72,539**	**279,739**	**15,483**	**58,999**	**243,840**

6.2 Programme Income

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Revenue from Patient Care activities						
Income from Local Authorities	-	-	1,813,475	-	-	1,817,812
Income from Private patients	-	-	526,138	-	-	501,708
Income from chargeable overseas patients	-	-	46,797	-	-	47,429
Income from Injury costs recovery	-	-	202,407	-	-	201,857
Income from other EU states for treatment of their citizens	50,045	50,045	50,045	58,009	58,009	58,009
Income from DH/NHS bodies	-	-	123,138	-	-	98,857
Other non-NHS patient care services	-	-	403,594	-	-	396,633
Other Non Trading Income						
Prescription Pricing Regulation Scheme[1]	431,608	431,608	431,608	156,799	156,799	156,799
Prescription Fees and Charges	-	-	503,940	-	-	470,682
Dental Fees and Charges	-	-	716,014	-	-	683,583
Other Fees and Charges	-	163,090	379,925	-	166,344	356,043
PDC Dividend Received	867,937	867,937	-	778,604	778,604	-
PDC Commitment Fee[2]	1,157	1,157	-	-	-	-
Education, training and research	-	1,337	366,896	-	1,182	310,045
Charitable and other contributions to expenditure	-	-	50,224	-	-	57,527
Receipt of donations for capital acquisitions	-	-	49,191	-	-	38,635
Receipt of grants for capital acquisitions	-	-	29,137	-	-	23,555
Non-patient care services to other bodies	-	-	642,601	-	-	529,534
Profit on disposal[3]	15,198	15,198	90,664	-	-	-
Rental revenue from finance leases	-	-	1,760	-	-	1,437
Rental revenue from operating leases	79	79	236,002	(12)	(12)	188,596
Interest and investment income	99,762	99,762	45,878	96,444	96,444	53,794
Dividends	14,393	14,393	14,393	15,494	15,494	15,494
Unwinding of discount on receivables	(3,180)	(3,180)	(3,180)	(2,766)	(2,766)	(2,766)
Income in respect of Staff Costs	-	-	154,423	-	-	157,275
Other non cash income	10,985	10,985	19,565	-	-	774
Funding from other Government departments	-	-	-	-	-	-
Prior period adjustments in local accounts	-	-	(488)	-	-	328
Other[4]	180,120	186,666	1,545,062	241,153	242,453	1,515,980
Total Programme Income	**1,668,104**	**1,839,077**	**8,439,209**	**1,343,725**	**1,512,551**	**7,679,620**
Total Income	1,689,132	1,911,616	8,718,948	1,359,208	1,571,550	7,923,460

Footnotes

1. A new Prescription Pricing Regulation Scheme (PPRS) was implemented in 2014, which replaced the 2009 scheme. Unlike the 2014 PPRS whereby scheme members make payments to the Department on their sales of branded medicines to the NHS, the 2009 PPRS delivered expenditure savings by implementing a series of price cuts. The increase in the income between 2013-14 and 2014-15 reflects the new voluntary terms of the 2014 PPRS, which looks to limit the growth in the overall cost of the branded drugs bill with voluntary payments from the Pharmaceutical companies. In addition, growth in 2014-15 has been higher than initially anticipated which has resulted in greater voluntary payments being received.
2. Interim Revenue Support Public Dividend Capital, PDC, was introduced in 2014/15 and has replaced permanent PDC previously issued for revenue support purposes. Revenue funding provided as equity is not serviced through the PDC dividend and as a result, from 2014/15, a commitment fee, equal to 1% of the total award amount to reflect the cost of this funding, is payable.
3. From 2014-15, following an amendment to the HM Treasury Financial Reporting Manual, profits on the disposal of non-current assets and assets held for sale are categorised as income rather than negative expenditure as in previous years. The prior year cost and income notes have not been re-categorised as profits on disposal are immaterial in the context of the Group account.
4. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.3 *Departmental Group Detail – Income.*

6.3 Fees and Charges

	2014-15 Departmental Group		
	Fees and Charges Income	Full Cost of Service	Suplus/(Deficit)
	£'000	£'000	£'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)**

	Restated 2013-14 Departmental Group		
	Fees and Charges Income	Full Cost of Service	Suplus/(Deficit)
	£'000	£'000	£'000
Dental	683,583	2,740,052	(2,056,469)
Prescription	470,682	10,115,012	(9,644,330)
Other Fees and Charges for which the cost of providing the service is over £1million	258,818	292,754	(33,936)
Total	**1,413,083**	**13,147,818**	**(11,734,735)**

The fees and charges information in this note is provided in accordance with section 5.4.28 of the HM Treasury Financial Reporting Manual. The Core Department does not provide services for which a fee is charged, therefore all disclosures relate to consolidated bodies. NHS England receives income in respect of Prescription and Dental charges to patients. The financial objective of Prescription and Dental charges is to collect charges only from those patients that are eligible to pay. The 2013-14 Fees and Charges Note has been restated to include the cost of Pharmaceutical Services within the Full Cost of providing Prescription Services. The cost of Pharmaceutical Services was £2,128.6m in 2014-15 (£2,099.8m in 2013-14).

Other fees and charges for which the cost of providing the service is over £1 million, relate to services provided by Special Health Authorities and other arm's length bodies. A significant proportion of this income of £103.2 million (2013-14: £101.2 million) and expenditure £195.7 million (2013-14: £162.8 million) relates to regulatory income at the Care Quality Commission.

Further information relating to fees and charges can be obtained from the financial statements of underlying bodies.

7. Property, plant and equipment

Departmental Group 2014-15

	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 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	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
Core Department	84,126	89,066	(0)	24,015	3,767	5,349	36,249	-	10,966	253,538
Agencies	28,050	120,455	-	8,824	34,520	1,457	32,728	-	694,341	920,375
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**

Footnotes

1. Stockpiled goods are not depreciated, as agreed with HM Treasury.
2. In 2014-15 the Core Department disposed of £275 million of nil net book value assets in relation to the end of the Informatics Spine contract which has been replaced by Spine 2.
3. 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 and expects to continue to do so over their remaining economic lives, their value is included in the "property" column above.

Prior Year

Departmental Group 2013-14

	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 2013	**7,703,830**	**37,883,278**	**414,344**	**3,784,528**	**1,455,596**	**779,155**	**8,211,288**	**444,727**	**831,449**	**61,508,195**
Prior period adjustments in underlying accounts	(26,477)	(1,338,644)	(8,342)	(46,073)	1,671	(4,691)	(113,698)	(549)	-	(1,536,803)
Additions	22,843	1,330,237	26,172	350,689	1,724,154	31,334	475,664	16,584	118,266	4,095,943
Donations	115	30,902	(5)	2,280	50,613	1,228	49,214	292	-	134,639
Impairments and reversals	(120,923)	(384,196)	(2,799)	(96,745)	(24,281)	(30,288)	(32,411)	(185)	(30,344)	(722,172)
Transfers	(30,524)	(767,718)	(1,935)	(469,888)	(2,346)	(102,193)	(221,187)	(9,388)	(20,144)	(1,625,323)
Reclassifications	(44,649)	1,137,286	(5,632)	116,165	(1,518,561)	4,034	144,837	16,714	(2,659)	(152,465)
Revaluation and indexation	102,832	(127,085)	7,242	(25,562)	2,373	(242)	3,372	(337)	2,528	(34,879)
Disposals	(26,315)	(77,361)	(11,019)	(227,959)	(2,094)	(29,434)	(324,312)	(33,953)	(80,828)	(813,275)
At 31 March 2014	**7,580,732**	**37,686,699**	**418,026**	**3,387,435**	**1,687,125**	**648,903**	**8,192,767**	**433,905**	**818,268**	**60,853,860**
Depreciation										
At 1 April 2013	**153,970**	**5,066,759**	**60,324**	**2,647,686**	**-**	**474,541**	**5,306,568**	**275,558**	**-**	**13,985,406**
Prior period adjustments in underlying accounts	(23,694)	(1,308,920)	(8,350)	(44,235)	-	(2,749)	(117,646)	(553)	-	(1,506,147)
Charged in year	73	1,148,082	12,938	378,583	-	51,247	655,699	48,529	-	2,295,151
Impairments and reversals	107,533	703,015	2,616	16,591	-	1,553	9,981	1,675	-	842,964
Transfers	(26,732)	(691,215)	(1,985)	(468,066)	-	(96,779)	(211,603)	(9,412)	-	(1,505,792)
Reclassifications	(1,830)	(14,131)	(420)	(7,169)	-	(1,092)	(2,096)	(11,294)	-	(38,032)
Revaluation and indexation	(100,619)	(1,304,040)	(13,305)	(25,519)	-	390	2,593	(342)	-	(1,440,842)
Disposals	15	(50,450)	(1,189)	(224,706)	-	(27,648)	(306,659)	(33,516)	-	(644,153)
At 31 March 2014	**108,716**	**3,549,100**	**50,629**	**2,273,165**	**-**	**399,463**	**5,336,837**	**270,645**	**-**	**11,988,555**
Net book value at 31 March 2014	**7,472,016**	**34,137,599**	**367,397**	**1,114,270**	**1,687,125**	**249,440**	**2,855,929**	**163,261**	**818,268**	**48,865,305**
Net book value at 31 March 2013	7,549,860	32,816,519	354,020	1,136,842	1,455,596	304,614	2,904,720	169,169	831,449	47,522,789
Asset financing:										
Owned - purchased	7,040,713	22,732,044	286,223	1,084,698	1,611,129	230,355	2,321,629	160,184	818,268	36,285,243
Owned - donated	127,028	1,058,864	11,360	10,304	52,803	15,576	257,205	1,160	-	1,534,300
Finance leased	57,479	191,643	21,758	16,080	2,724	2,369	162,982	1,917	-	456,952
On-Statement of Financial Position PFI contracts	246,796	10,153,554	46,864	3,188	20,469	1,140	114,113	-	-	10,586,124
PFI residual interests	-	1,494	1,192	-	-	-	-	-	-	2,686
Net book value at 31 March 2014	**7,472,016**	**34,137,599**	**367,397**	**1,114,270**	**1,687,125**	**249,440**	**2,855,929**	**163,261**	**818,268**	**48,865,305**

Analysis of property, plant and equipment

Of the total:	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
Core Department	95,455	95,724	(0)	45,821	1,352	6,585	38,548	-	107,982	391,467
Agencies	28,050	111,446	-	3,893	43,597	970	29,350	-	710,286	927,592
Other designated bodies	7,348,511	33,930,429	367,397	1,064,556	1,642,176	241,885	2,788,031	163,261	-	47,546,246
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**

Property has been valued as follows:

- The Civil Estate (land and buildings held for use by the core Department) was valued on 1 September 2010 by independent valuers employed by the Department. Since then, Investment Property Databank indices have been applied, as appropriate, to uplift values as at the year end using the IAS 16 revaluation model methodology.
- Land and buildings held by NHS bodies 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 (£42.4m at 31 March 2015) 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 - 190 years
- Transport equipment: 1 - 20 years
- Information technology: 1 - 22 years
- Plant and machinery: 1 - 68 years
- Furniture and fittings: 1 - 49 years

7.1 Investment Property

	2014-15 £'000 Departmental Group	2013-14 £'000 Departmental Group
Carrying Value at 1 April 2014	**75,745**	**67,599**
Prior period adjustments in underlying accounts	-	50
Additions	209	186
Reclassifications from PPE	223	1,271
Gains on fair value adjustment	7,517	6,117
Losses on fair value adjustment	(2,755)	-
Disposals	(86)	-
Transfers to assets held for sale	-	(545)
Transfers	-	-
Other changes	-	1,067
Carrying Value at 31 March 2015	**80,853**	**75,745**

Analysis of investment property

Of the total:	2014-15 £'000	2013-14 £'000
Core Department	260	260
Agencies	-	-
Other designated bodies	80,593	75,485
Net book value at 31 March 2015	**80,853**	**75,745**

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

8. Intangible Non-Current Assets

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

	Departmental Group 2014-15			
	IT & Software £'000	Development Expenditure £'000	Other £'000	Total £'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 £'000	Development Expenditure £'000	Other £'000	Total £'000
Of the total:				
Core Department	819,145	12,464	-	831,609
Agencies	7,860	-	5,466	13,326
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**

Footnotes

1. Core Department intangible assets principally comprise assets related to Informatics programmes (Note 1.13 contains further information on Informatics programmes).
2. In 2014-15 £451 million of nil net book assets were disposed of at the end of the Informatics Spine contract which has been replaced by Spine 2.

Prior Year

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

Analysis of intangible assets

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

The ranges of estimated useful lives are currently:

- Software licences and Internally Developed Software: 1 - 35 years
- Development expenditure: 1 - 12 years
- Other (licences and trademarks, patents, purchased software etc): 1 - 15 years

The Department revalues intangible non-current assets associated with DH Informatics programmes (Note 1.13 details the remit of DH Informatics) at the end of each financial year, by

indexing their original cost. Given the very significant value of these assets, the Department applies the difference between the Retail Price Index (RPI) operating in the month of purchase and the RPI at the end of the year. RPI is considered the most appropriate measure of indexation to use with this group of assets, as no other indexation factor is available that more accurately reflects the commercial environment in the computer services sector, or would not be compromised by the high value of the assets. This valuation method is reviewed annually to ascertain whether RPI remains the most appropriate index to use.

The effective date of revaluation for the DH Informatics programme non-current assets is 31 March 2015.

DH Informatics non-current assets (whether classified as property, plant and equipment or intangible assets) are not added to the Department's Non-Current Asset Register until confirmation has been received from the appropriate NHS organisation that the relevant system has been deployed successfully.

9. Impairments

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Impairments charged to Consolidated Statement of Comprehensive Net Expenditure						
Property Plant and Equipment impairments	22,282	75,825	909,879	52,392	78,167	1,230,164
Intangible asset impairments	14,940	15,013	23,445	965	965	24,500
Financial asset impairments	(83)	(83)	(12,860)	317	317	(5,799)
Non Current Assets Held for Sale impairments	1,826	1,826	23,480	-	-	7,094
Total impairments charged to Consolidated Statement of Comprehensive Net Expenditure	**38,965**	**92,581**	**943,944**	**53,674**	**79,449**	**1,255,959**
Impairments charged to Revaluation Reserve						
Property Plant and Equipment impairments	875	875	702,825	201	201	335,127
Intangible asset impairments	-	-	7	31,994	31,994	31,997
Financial asset impairments	-	-	-	-	-	-
Total impairments charged to Revaluation Reserve	**875**	**875**	**702,832**	**32,195**	**32,195**	**367,124**
Total impairments charged in year	**39,840**	**93,456**	**1,646,776**	**85,869**	**111,644**	**1,623,083**

10. Commitments

10.1 Capital Commitments

			2014-15 £'000			Restated 2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements						
Property, plant and equipment	1,743	16,848	1,313,449	47,111	77,003	1,310,120
Intangible non-current assets	138,870	140,234	192,956	316,114	316,360	368,569
	140,613	**157,082**	**1,506,405**	**363,225**	**393,363**	**1,678,689**

This note discloses commitments to future capital expenditure, not otherwise disclosed elsewhere in the financial statements. Included within capital commitments are non-cancellable contracts and purchase orders which commit the Department to capital expenditure in a future period. Commitments to expenditure under other forms of agreement such as Memorandums of Understanding may be considered as a capital commitment if they, in exceptional circumstances, effectively commit the Department to the expenditure as it would be reputationally or politically damaging for the Department to withdraw from the agreement. Any future capital funding within the Department's accounting boundary does not represent a

capital commitment. Capital grants that meet the above definition are disclosed within this note.

A large proportion of Core Department capital commitments relate to contracts entered into in respect of Informatics programmes (formerly known as the National Programme for IT/Connecting for Health). In 2014-15, DH Informatics programme had capital commitments amounting to £96.3 million (2013-14: £314.4 million).

The Department has tightened up the application of the Capital Commitment definition in 2014-15. This has resulted in commitments with a value of £518.6m (2013-14: £596.7m) being classified as Other Financial Commitments in 2014-15 and disclosed in note 10.4 instead of in note 10.1. This has resulted in the prior year figures for Property, Plant and Equipment decreasing by £596.7 million.

Of the Departmental Group's capital commitments, £16 million, £577 million, £757 million and £15 million are within the accounts of Public Health England, NHS Trusts and NHS Foundation Trusts and arm's length bodies respectively.

10.2 Commitments under leases

10.2.1 Operating lease payments

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

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Land:						
Not later than 1 year	-	-	4,806	-	-	5,772
Later than 1 year and not later than 5 years	-	-	10,447	-	-	17,701
Later than 5 years	-	-	17,946	-	-	20,271
	-	**-**	**33,199**	**-**	**-**	**43,744**
Buildings:						
Not later than 1 year	15,752	20,387	463,067	15,736	21,990	323,037
Later than 1 year and not later than 5 years	24,998	35,255	873,882	36,645	49,257	792,842
Later than 5 years	918	3,158	1,128,660	2,669	5,231	1,236,162
	41,668	**58,800**	**2,465,609**	**55,050**	**76,478**	**2,352,041**
Other:						
Not later than 1 year	-	291	185,719	-	126	180,886
Later than 1 year and not later than 5 years	-	229	280,047	-	93	296,758
Later than 5 years	-	-	20,302	-	-	26,297
	-	**520**	**486,068**	**-**	**219**	**503,941**

Footnotes

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

10.2.2 Operating Lease receipts

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

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Land:						
Not later than 1 year	-	-	2,197	-	-	2,877
Later than 1 year and not later than 5 years	-	-	8,317	-	-	8,268
Later than 5 years	-	-	135,170	-	-	136,779
	-	**-**	**145,684**	**-**	**-**	**147,924**
Buildings:						
Not later than 1 year	10,575	8,967	63,827	1,211	1,211	57,035
Later than 1 year and not later than 5 years	16,195	14,203	192,950	1,374	1,374	170,227
Later than 5 years	918	545	509,217	1,142	1,142	386,184
	27,688	**23,715**	**765,994**	**3,727**	**3,727**	**613,446**
Other:						
Not later than 1 year	-	-	42,892	-	-	37,288
Later than 1 year and not later than 5 years	-	-	86,115	-	-	97,637
Later than 5 years	-	-	99,952	-	-	99,559
	-	**-**	**228,959**	**-**	**-**	**234,484**

Footnotes

1. Future minimum lease receipts under operating leases between bodies with the Departmental Group are eliminated upon consolidation.
2. In 14-15 operating lease receipts includes receipts received via MOTO arrangements, where the Department sub lets building space to other bodies. These arrangements are a formal sub-lease arrangement in substance.

10.2.3 Finance lease payments

Total future minimum lease payments under finance leases are given in the table overleaf for each of the following periods. The Department's obligation under finance leases relates to the Ambulance Radio Programme, where leased assets include terminal equipment for radio dispatchers and associated voice systems.

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Obligations under finance leases for the following periods comprise:						
Land:						
Not later than 1 year	-	-	288	-	-	302
Later than 1 year and not later than 5 years	-	-	1,150	-	-	1,210
Later than 5 years	-	-	4,224	-	-	4,244
	-	**-**	**5,662**	**-**	**-**	**5,756**
Less interest element	-	-	(3,615)	-	-	(3,580)
Present Value of obligations	**-**	**-**	**2,047**	**-**	**-**	**2,176**
Buildings:						
Not later than 1 year	-	-	40,277	-	-	20,222
Later than 1 year and not later than 5 years	-	-	143,528	-	-	69,711
Later than 5 years	-	-	481,009	-	-	258,289
	-	**-**	**664,814**	**-**	**-**	**348,222**
Less interest element	-	-	(332,473)	-	-	(181,481)
Present Value of obligations	**-**	**-**	**332,341**	**-**	**-**	**166,741**
Other:						
Not later than 1 year	4,587	4,587	48,287	4,591	4,591	44,214
Later than 1 year and not later than 5 years	5,104	5,104	92,401	7,949	7,949	89,440
Later than 5 years	-	-	35,537	-	-	31,968
	9,691	**9,691**	**176,225**	**12,540**	**12,540**	**165,622**
Less interest element	(1,289)	(1,289)	(27,212)	(2,038)	(2,038)	(25,444)
Total Present Value of obligations	**8,402**	**8,402**	**149,013**	**10,502**	**10,502**	**140,178**

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Present Value of obligations under finance leases for the following periods comprise:						
Land:						
Not later than 1 year	-	-	68	-	-	67
Later than 1 year and not later than 5 years	-	-	361	-	-	346
Later than 5 years	-	-	1,618	-	-	1,763
Total Present Value of obligations	**-**	**-**	**2,047**	**-**	**-**	**2,176**
Buildings:						
Not later than 1 year	-	-	16,650	-	-	9,720
Later than 1 year and not later than 5 years	-	-	56,441	-	-	32,395
Later than 5 years	-	-	259,250	-	-	124,626
Total Present Value of obligations	**-**	**-**	**332,341**	**-**	**-**	**166,741**
Other:						
Not later than 1 year	3,952	3,952	41,716	3,844	3,844	39,854
Later than 1 year and not later than 5 years	4,450	4,450	75,539	6,658	6,658	73,464
Later than 5 years	-	-	31,758	-	-	26,860
Total Present Value of obligations	**8,402**	**8,402**	**149,013**	**10,502**	**10,502**	**140,178**

Footnotes

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

10.2.4 Finance lease receivables

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

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Gross investments in leases:						
Not later than 1 year	-	-	1,278	-	-	1,350
Later than 1 year and not later than 5 years	-	-	3,372	-	-	3,393
Later than 5 years	-	-	17,083	-	-	21,204
Less future finance income	-	-	(9,162)	-	-	(9,841)
Present Value of minimum lease payments	**-**	**-**	**12,571**	**-**	**-**	**16,106**
Less cumulative provision for uncollectable payments:	-	-	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**-**	**12,571**	**-**	**-**	**16,106**
Present Value of minimum lease payments:						
Not later than 1 year	-	-	685	-	-	748
Later than 1 year and not later than 5 years	-	-	1,106	-	-	1,081
Later than 5 years	-	-	10,780	-	-	14,277
Total Present Value of minimum lease payments	**-**	**-**	**12,571**	**-**	**-**	**16,106**
Less cumulative provision for uncollectable payments:	-	-	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**-**	**12,571**	**-**	**-**	**16,106**
included in:						
Current finance lease receivables	-	-	685	-	-	738
Non-current finance lease receivables	-	-	11,886	-	-	15,368
Total finance lease receivables	**-**	**-**	**12,571**	**-**	**-**	**16,106**

Footnotes

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

10.3 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.

10.3.1 NHS LIFT schemes deemed to be off-Statement of Financial Position

In this financial year, NHS Trusts and Community Health Partnerships Ltd reported one off-Statement of Financial Position LIFT scheme with an estimated capital value of £0.9 million. In 2013-14, one off-Statement of Financial Position LIFT schemes were reported with an estimated capital value of £0.9 million. The assets which make up this capital value were not assets of Community Health Partnerships Ltd.

10.3.2 NHS LIFT schemes deemed to be on-Statement of Financial Position

Community Health Partnerships Ltd

In this financial year Community Health Partnerships Ltd reported 294 on-Statement of Financial Position LIFT schemes. (2013-14: 292). 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 £46.8 million (2013-14: £45.0 million).

NHS Trusts

In this financial year, three NHS Trusts (2013-14: two NHS Trusts) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts.

The substance of each contract is that the NHS Trust has a finance lease and payments comprise an imputed finance lease charge and a service charge. Details of the individual LIFT schemes are included in the accounts of each NHS Trust.

NHS Foundation Trusts

In this financial year, two NHS Foundation Trusts (2013-14: two NHS Foundation Trusts) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the NHS Trust has a finance lease and payments comprise an imputed finance lease charge and a service charge. Details of the individual LIFT schemes are included in the accounts of each NHS Trust.

Total obligations for the on-Statement of Financial Position NHS LIFT Schemes due:

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	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	-	-	166,850	-	-	161,641
Later than 1 year and not later than 5 years	-	-	644,470	-	-	630,251
Later than 5 years	-	-	3,108,931	-	-	3,144,054
	-	**-**	**3,920,251**	**-**	**-**	**3,935,946**
Less interest element	-	-	(2,104,710)	-	-	(2,153,686)
Total Present Value of obligations	**-**	**-**	**1,815,541**	**-**	**-**	**1,782,260**

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	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	-	-	34,684	-	-	31,809
Later than 1 year and not later than 5 years	-	-	137,945	-	-	132,535
Later than 5 years	-	-	1,642,912	-	-	1,617,916
Total Present Value of obligations	**-**	**-**	**1,815,541**	**-**	**-**	**1,782,260**

10.3.3 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS LIFT Contracts

The total charges in the year to expenditure in respect of off-Statement of Financial Position NHS LIFT contracts and the service element of on-Statement of Financial Position NHS LIFT contracts was £48.3 million (2013-14: £46.3 million)

Community Health Partnerships Ltd, NHS Trusts and NHS Foundation Trusts with NHS LIFT contracts are committed to the following total charges:

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Not later than 1 year	-	-	49,121	-	-	47,162
Later than 1 year and not later than 5 years	-	-	211,536	-	-	200,220
Later than 5 years	-	-	932,107	-	-	937,500
	-	**-**	**1,192,764**	**-**	**-**	**1,184,882**

10.3.4 PFI Schemes deemed to be off-Statement of Financial Position

NHS Trusts

In this financial year 1 NHS Trust reported off-Statement of Financial Position PFI schemes. (2013-14: four NHS Trusts).

NHS Foundation Trusts

In this financial year 6 NHS Foundation Trusts reported off-Statement of Financial Position PFI schemes. (2013-14: 6 NHS Foundation Trusts).

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Obligations on off-Statement of Financial Position PFI schemes for the following periods comprise:						
Not later than 1 year	-	-	7,289	-	-	7,531
Later than 1 year and not later than 5 years	-	-	5,192	-	-	10,765
Later than 5 years	-	-	9,501	-	-	8,782
	-	**-**	**21,982**	**-**	**-**	**27,078**

10.3.5 NHS PFI schemes deemed to be on-Statement of Financial Position

NHS Property Services Ltd

In this financial year NHS Property Services Ltd reported 26 on-Statement of Financial Position PFI schemes. (2013-14: 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 £28.2 million. (2013-14: £28.3 million).

NHS Trusts

In this financial year, 48 NHS Trusts reported on-Statement of Financial Position PFI Schemes (2013-14: 47 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 £449.7 million. (2013-14: £518.9 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 £403.7million. (2013-14: £461.0 million).

	2014-15 £'000 Core Department	Core Dept & Agencies	Departmental Group	2013-14 £'000 Core Department	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	-	-	852,259	-	-	885,965
Later than 1 year and not later than 5 years	-	-	3,324,738	-	-	3,155,961
Later than 5 years	-	-	15,918,115	-	-	15,700,505
	-	**-**	**20,095,112**	**-**	**-**	**19,742,431**
Less interest element	-	-	(10,028,635)	-	-	(9,640,874)
Total Present Value of obligations	**-**	**-**	**10,066,477**	**-**	**-**	**10,101,557**

	2014-15 £'000 Core Department	Core Dept & Agencies	Departmental Group	2013-14 £'000 Core Department	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	-	-	299,235	-	-	310,436
Later than 1 year and not later than 5 years	-	-	1,221,672	-	-	1,298,053
Later than 5 years	-	-	8,545,570	-	-	8,493,068
Total Present Value of obligations	**-**	**-**	**10,066,477**	**-**	**-**	**10,101,557**

10.3.6 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS PFI contracts

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-Statement of Financial Position NHS PFI schemes and the service element of on-Statement of Financial Position NHS PFI schemes was £881.6 million. (2013-14 £1,008.2 million).

	2014-15 £'000 Core Department	Core Dept & Agencies	Departmental Group	2013-14 £'000 Core Department	Core Dept & Agencies	Departmental Group
Not later than 1 year	-	-	918,563	-	-	912,623
Later than 1 year and not later than 5 years	-	-	3,791,874	-	-	3,762,037
Later than 5 years	-	-	22,881,442	-	-	24,123,312
	-	**-**	**27,591,879**	**-**	**-**	**28,797,972**

10.4 Other Financial Commitments

	2014-15 £'000 Core Department	Core Dept & Agencies	Departmental Group	Restated 2013-14 £'000 Core Department	Core Dept & Agencies	Departmental Group
Not later than 1 year	1,951,077	2,320,575	2,636,753	1,885,545	2,227,709	2,597,603
Later than 1 year and not later than 5 years	1,287,816	1,610,007	1,875,998	1,998,106	2,209,776	2,638,586
Later than 5 years	30,043	30,043	101,849	20,220	20,220	118,733
	3,268,936	**3,960,625**	**4,614,600**	**3,903,871**	**4,457,705**	**5,354,922**

The prior year figures have increased by £596.7 million. More details on this can be found in note 10.1.

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.

At the end of the reporting period, the Department had entered into various contracts in respect of Informatics programmes (formally known as the National Programme of IT) which, if delivered according to the terms of those contracts, would result in financial commitments of £460.8 million (2013-14: £650 million) over the next 5 years. These contracts will in future continue to be delivered by the Department for the purpose of bringing modern computing systems in the NHS to improve patient care and services. Over the life of the programmes, they will connect over 30,000 GPs in England and almost 300 hospitals, and will give patients access to their personal health and care information, transforming the way the NHS works. The contracts are such that the obligation to pay does not arise until the suppliers have successfully implemented solutions in the required locations, and it has been accepted after a period of live running.

Additionally, the Department has committed expenditure of £1,827 million (2013-14: £1,982 million) on Research and Development contracts. These contracts are with a number of NHS organisations, universities and private research organisations. The purpose of research and development arrangements varies from the development of the health research workforce and research infrastructure in the NHS and the provision of research support by the NHS to specific research programmes or projects. The overall purpose of the work is to develop an evidence base for improved health care.

Of the Departmental Group's other financial commitments, £96 million, £35 million, £233 million, £267 million and £692 million are within the accounts of NHS Trusts, NHS Business Services Authority, NHS England Group, NHS Foundation Trusts and Public Health England, respectively. Public Health England commitments include those for the purchase of childhood and adult vaccines.

11. Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

Currency Risk

The Department undertakes certain transactions denominated in foreign currencies, the vast majority of which are transactions relating to European Economic Area (EEA) medical costs.

Due to delays in the submission of medical cost claims by member states (as per current EU regulations), the Department estimates annual medical costs and adjusts future years' expenditure when actual costs arise (are claimed). Estimated costs are converted into sterling at average rates calculated using EU published rates. Payments made are valued at prevailing exchange rates and the Department enters into forward contracts for the purchase of Euros for this purpose i.e. to mitigate risk of exposure to 'Sterling'/'Euro' exchange rate fluctuations. Amounts in the Statement of Financial Position at year-end are converted at the exchange rate ruling at the Statement of Financial Position date, with any exchange rate gains or losses calculated in accordance with accepted accounting practice.

Foreign currency forward purchase contracts are measured at 'fair value', with movements in fair value being charged or credited to the Consolidated Statement of Comprehensive Net Expenditure.

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

The Department did not have any forward currency contracts outstanding as at 31st March 2015, and so no financial asset existed at the Statement of Financial Position date.

The NHS sector is made up principally of domestic organisations with the great majority of transactions, assets and liabilities being in the UK and sterling based. Exposure to currency rate fluctuations is therefore low.

Liquidity Risk

The income within the Department of Health Group mostly originates from Central Government and remains within the group. Due to the continuing service provider relationship that health bodies have with each other, they are not exposed to the degree of financial risk faced by business entities. NHS Trusts and Foundation Trusts, for example, generate their income from contractual arrangements with their commissioners based either on a tariff for services performed or on assumptions for the amount of work to be carried out.

Interest Rate Risk

The Departmental Group has limited exposure to Interest Rate Risk.

NHS Trusts and NHS Foundation Trusts borrow from government for capital expenditure and working capital requirements for 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 a code devised by Monitor.

Credit risk

The vast majority of the NHS sector's income is generated from public sector bodies and as such is exposed to low credit risk.

12. Financial Assets – Investments

	Core Department 2014-15 £'000								Departmental Group 2014-15 £'000			
	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[3]	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[4]	(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 by or on behalf of dissolved bodies	(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[5]	(36,904)	-	36,904	-	-	-	-	-	-	-	5,166	5,166
Balance at 31 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 Department	29,519,588
Less elimination of intra-group investments	(28,777,264)
Investments held by Agencies	-
Investments held by other designated bodies	304,570
Total	**1,046,894**

The Department can analyse its investments in other bodies as follows:	Other Bodies PDC £'000	Loans £'000	Share Capital £'000	Percentage Share-holding %
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Plasma Resources UK Ltd	-	117,093	5,500	20%
Community Health Partnerships	-	10,000	217,500	100%
NHS Property Services Ltd	-	-	243,396	100%
Credit Guarantee Fund (CGF)	-	464,182	-	0%
SBS	-	17,221	29,500	50%
Social Enterprise Loans	-	9,159	-	0%
Genomics England Ltd	-	-	22,500	100%
Other	-	-	96,513	
Total	**1,328**	**618,983**	**615,409**	

Footnotes

1. The Core Department's PDC investment in, and loans to, NHS Trusts and NHS Foundation Trusts eliminate on consolidation, and so are not shown as consolidated Departmental group investments as they are not with bodies external to the Group. With the exception of MHRA, PDC is only issued to bodies within the Departmental Group.
2. The Core Department's loans to and / or share capital investment in NHS Property Services Ltd, Community Healthcare Partnerships Ltd and Genomics England Ltd eliminate on consolidation, and so are not shown as consolidated Departmental group investments.
3. 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.
4. The Repaid line records repayments of non-current amounts: i.e. repayments of amounts in advance of the date specified in the relevant loan agreements/schedules. The repayment of the current element of financial assets is accounted for in the receivables notes.
5. 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.

	2013-14 £'000								2013-14 £'000			
	Core Department								Departmental Group			
	NHS Trusts		NHS Foundation Trusts		Other Bodies			Total	Other Bodies			Total
	PDC	Loans	PDC	Loans	PDC	Loans	Share Capital		PDC	Loans	Share Capital and Other Investments	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**10,921,052**	**520,089**	**12,727,981**	**1,095,538**	**1,328**	**532,369**	**182,700**	**25,981,057**	**1,328**	**907,519**	**210,079**	**1,118,926**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	(10,000)	(64,480)	(74,480)
Issued	1,243,346	49,992	389,384	530,686	-	601,244	191,695	3,006,347	-	110,744	256,766	367,510
Disposals	-	-	-	-	-	-	-	-	-	-	(245,772)	(245,772)
Repaid	(310,848)	-	(1,970)	(12,392)	-	(122,332)	-	(447,542)	-	(3,332)	(1,393)	(4,725)
Transfers to and from current receivables	-	(70,422)	-	(117,458)	-	(377,235)	-	(565,115)	-	(5,735)	-	(5,735)
Written off by or on behalf of dissolved bodies	(376,118)	-	-	-	-	(29)	-	(376,147)	-	(29)	(317)	(346)
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value through CSCNE	-	-	-	-	-	-	-	-	-	-	3	3
Impairments and reversals	-	-	-	-	-	(289)	-	(289)	-	5,827	-	5,827
Reclassifications	(385,161)	(15,685)	385,161	15,685	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(33,979)	33,028	(951)
Other Movements	-	-	-	-	-	-	-	-	-	-	5,205	5,205
Balance at 31 March 2014	**11,092,271**	**483,974**	**13,500,556**	**1,512,059**	**1,328**	**633,728**	**374,395**	**27,598,311**	**1,328**	**971,015**	**193,119**	**1,165,462**

Investments held by Core Department	27,598,311
Less elimination of intra-group investments	(26,903,496)
Investments held by Agencies	-
Investments held by other designated bodies	470,647
Total	**1,165,462**

	Other Bodies			
	PDC	Loans	Share Capital	Percentage Share-holding
The Department can analyse its investments in other bodies as follows:	£'000	£'000	£'000	%
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Plasma Resources UK Ltd	-	109,129	5,058	20%
Community Health Partnerships	-	10,000	113,541	100%
NHS Property Services Ltd	-	-	191,096	100%
Credit Guarantee Fund (CGF)	-	485,796	-	0%
SBS	-	17,221	20,500	50%
Social Enterprise Loans	-	10,254	-	0%
Other	-	-	43,700	
Total	**1,328**	**633,728**	**374,395**	

The Department's 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 Plasma Resources UK Ltd, SBS, NHS Professionals and Community Health Partnerships Ltd were all subject to independent valuations in 2014-15.

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.

The Department issued loans, including £109.0 million to NHS Property Services Ltd, £79.9 million to Community Health Partnerships Ltd and £20.0 million to NHS Professionals during 2014-15.

During 2014-15, NHS Property Services Ltd made repayments of £267.7 million to the Department on loans issued and NHS Professionals made repayments of £20.0 million.

During the year the loans of £109.0 million to NHS Property Services Ltd, £79.9 million to Community Health Partnerships Ltd and £20.0 million of NHS Professional loans became payable within one year and have been transferred to receivables.

During 2014-15, the Department increased its shareholding in Community Health Partnerships Ltd by £7.0 million. The Department issued shares valued at £22.5 million in Genomics England Ltd. £52.3 million was issued in share capital to NHS Property Services Ltd and their current loan balance reduced by this amount.

During 2014-15, the Department sold its investment in Dr Foster Intelligence Limited.

The £454.2 million NHS Trust PDC write-off relates to the cancellation of the outstanding PDC of following NHS Trusts, all of whom dissolved in 2014-15: NHS Direct (£90.9 million PDC cancellation), Ealing Hospital National Health Service Trust (£58.3 million PDC cancellation) and North West London Hospitals NHS Trust (£305.0 million PDC cancellation).

The £153.0 million NHS Foundation Trust PDC write-off relates to the cancellation of the outstanding PDC of following NHS Foundation Trusts, all of whom dissolved in 2014-15: Heatherwood & Wexham Park Hospitals NHS Foundation Trust (£78.1 million PDC cancellation), Mid-Staffordshire NHS Foundation Trust (£74.4 million PDC cancellation) and Royal National Hospital for Rheumatic Diseases NHS Foundation Trust (£0.5 million PDC cancellation).

Investments held by other NHS bodies in 2014-15

The Departmental Group figure for loans to other bodies at 31 March 2015 contains a £172.6 million working capital loan made by NHS Business Services Authority in support of the outsourcing Supply Chain arrangement. The primary purpose of the working capital loan is to facilitate aggregated capital purchases for the NHS.

Further details relating to investments can be found in the accounts of underlying bodies.

Financing of NHS Trusts and NHS Foundation Trusts

The Department has two means of financing NHS Trusts and NHS Foundation Trusts:

1. **Public Dividend Capital (PDC)** – issued as either structural capital when NHS Trusts are established, or when the Department needs to provide additional financing to NHS Trusts or NHS Foundation Trusts after establishment.

2. **Loans** – normally made under standard government loan terms, i.e. 6 monthly equal instalments of principal and interest charged on outstanding balances. National Loan fund rates of interest (as published by the UK Debt Management Office) are applied.

Both PDC and loans are held at historic value. Further detail on the performance of NHS Providers is available in the Annual Report Summary of Financial Performance section, the write off of PDC is also recorded and explained in Note 20.

The Department judges that there is no material credit risk associated with either form of investment. The financial performance of NHS Trusts and NHS Foundation Trusts is rigorously managed by the NHS Trust Development Authority and the independent regulator Monitor respectively, not least through their respective powers of intervention. No loans to NHS Trusts or NHS Foundation Trusts have been written off since the re-introduction of loan financing for NHS providers in 2004.

13. Assets classified as held for sale

Departmental Group 2014-15

	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
As at 1 April 2014	**115,987**	**41,849**	**60**	**-**	**-**	**157,896**
Prior period adjustments in underlying accounts	(1,605)	(391)	-	-	-	(1,996)
Assets reclassified as held for sale in year	212,830	71,551	1,272	49	3,300	289,002
Assets no longer held for sale (for reasons other than sale)	(8,837)	(5,766)	(31)	-	-	(14,634)
Assets sold in year	(86,181)	(49,310)	(1,127)	-	(3,300)	(139,918)
Impairments and reversals transferred to the CSCNE	(21,320)	(1,638)	-	-	-	(22,958)
Transfers	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
As at 31 March 2015	**210,874**	**56,295**	**174**	**49**	**-**	**267,392**

Analysis of assets held for sale

Of the total:	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
Core Department	20,812	5,241	-	-	-	26,053
Agencies	-	-	-	-	-	-
Other designated bodies	190,062	51,054	174	49	-	241,339
	210,874	**56,295**	**174**	**49**	**-**	**267,392**

Departmental Group 2013-14

	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
As at 1 April 2013	**158,213**	**77,572**	**10**	**(3)**	**189,929**	**425,721**
Prior period adjustments in underlying accounts	-	10	(10)	-	-	-
Assets reclassified as held for sale in year	97,803	45,237	990	42	-	144,072
Assets no longer held for sale (for reasons other than sale)	(50,068)	(18,037)	(492)	-	(5,929)	(74,526)
Assets sold in year	(82,987)	(64,550)	(972)	(42)	(184,000)	(332,551)
Impairments and reversals transferred to the CSCNE	(2,599)	(4,609)	(23)	-	-	(7,231)
Transfers	(576)	2,426	557	3	95	2,505
Other movements	(3,799)	3,800	-	-	(95)	(94)
As at 31 March 2014	**115,987**	**41,849**	**60**	**-**	**-**	**157,896**

Analysis of assets held for sale

Of the total:	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
Core Department	8,500	27	-	-	-	8,527
Agencies	-	-	-	-	-	-
Other designated bodies	107,487	41,822	60	-	-	149,369
	115,987	**41,849**	**60**	**-**	**-**	**157,896**

14. Inventories and work in progress

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 £'000	Pandemic Flu and Pre Pandemic Flu £'000	Drugs £'000	Consumables £'000	Other £'000	Total £'000
Core Department	-	-	-	-	-	-
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**

Departmental Group 2013-14

	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**125,904**	**-**	**112,992**	**230,000**	**500,015**	**968,911**
Prior period adjustments in underlying accounts	-	-	152,445	273,804	(426,250)	(1)
Additions	316,349	-	4,212,598	2,894,482	159,454	7,582,883
Consumed/Disposed of	(308,925)	-	(4,195,866)	(2,875,842)	(182,189)	(7,562,822)
Written down charged to CSCNE	(12,499)	-	(4,414)	(2,749)	(682)	(20,344)
Transfer (to) / from non-current assets	-	-	-	-	20,144	20,144
Transfers	-	-	-	1	(6,760)	(6,759)
Reclassification	-	-	8,582	4,516	(13,097)	1
Other	2,615	-	(2,249)	(48)	(99)	219
Balance at 31 March 2014	**123,444**	**-**	**284,088**	**524,164**	**50,536**	**982,232**

Analysis of Inventories

Of the total:	Adult and Childhood Vaccines £'000	Pandemic Flu and Pre Pandemic Flu £'000	Drugs £'000	Consumables £'000	Other £'000	Total £'000
Core Department	1	-	-	-	-	1
Agencies	123,443	-	3,127	5,149	-	131,719
Other designated bodies	-	-	280,961	519,015	50,536	850,512
	123,444	**-**	**284,088**	**524,164**	**50,536**	**982,232**

15. Cash and cash equivalents

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Balance at 1 April	**460,017**	**589,447**	**6,965,179**	**1,206,560**	**1,206,560**	**7,421,705**
Net change in cash	867,686	897,930	11,879	(746,543)	(617,113)	(456,526)
Balance at 31 March	**1,327,703**	**1,487,377**	**6,977,058**	**460,017**	**589,447**	**6,965,179**
The following balances at 31 March were held at:						
Government Banking Service	1,327,702	1,484,335	6,054,219	460,016	588,323	6,239,344
Commercial banks and cash in hand	1	3,042	247,219	1	1,124	485,260
Short term investments	-	-	675,620	-	-	240,575
Balance at 31 March	**1,327,703**	**1,487,377**	**6,977,058**	**460,017**	**589,447**	**6,965,179**

Footnotes

1. The 2014-15 short term investments balance is comprised of £666.4 million of investments with the National Loans Fund and £0.2 million of investments with other bodies. The comparative figure for short term investments with the National Loans Fund in 2013-14 is £586.8 million. In the comparative figures, this is split between Cash held with Government Banking Service (£337.5 million), Short term investments (£230.0 million), Other assets, note 16 (£17.0 million) and Charitable cash, note 22 (£2.3 million).

16. Trade Receivables and other current assets

16.1 Analysis by type

	2014-15 £'000			2013-14 £'000		
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Amounts falling due within one year:						
Trade receivables	60,871	69,805	848,238	24,103	25,747	796,746
Deposits and advances	-	-	2,259	-	-	1,801
Capital receivables	4,987	4,987	51,720	-	-	25,070
Interest receivable	362	362	6,881	408	408	1,038
Other receivables	92,243	117,309	708,582	158,619	175,280	736,812
Trade and other receivables	**158,463**	**192,463**	**1,617,680**	**183,130**	**201,435**	**1,561,467**
Pension prepayments maturing in one year	-	-	-	-	-	-
Consolidated Fund Extra Receipts receivable	-	-	-	-	-	-
Other prepayments and accrued income	450,393	466,387	1,505,631	299,579	318,525	1,244,872
Current part of PFI and other service concession arrangements prepayments	-	-	142,613	-	-	59,534
Other current assets	-	-	3,518	-	-	19,282
Other current assets	**450,393**	**466,387**	**1,651,762**	**299,579**	**318,525**	**1,323,688**
Current part of loans repayable transferred from investments	496,485	496,485	14,614	596,398	596,398	10,691
Other current financial assets[1]	-	-	10,500	-	-	-
Other financial assets	**496,485**	**496,485**	**25,114**	**596,398**	**596,398**	**10,691**
Total current receivables	**1,105,341**	**1,155,335**	**3,294,556**	**1,079,107**	**1,116,358**	**2,895,846**
Amounts falling due after more than one year:						
Trade receivables	-	-	44,113	-	-	43,788
Deposits and advances	-	123	651	-	71	884
Capital receivables	1,882	1,882	26,814	-	-	15,650
Other receivables	116,467	116,488	252,571	99,338	99,338	242,952
Interest Receivable	-	-	606	-	-	298
Pension prepayments maturing after one year	-	-	-	-	-	-
Other Prepayments and accrued income	1,340	1,340	53,492	72,716	72,737	117,488
Non-current part of PFI and other service concession arrangements prepayments	-	-	191,611	-	-	200,266
Total non-current receivables	**119,689**	**119,833**	**569,858**	**172,054**	**172,146**	**621,326**
Total receivables at 31 March 2015	**1,225,030**	**1,275,168**	**3,864,414**	**1,251,161**	**1,288,504**	**3,517,172**

Footnotes

1. The balance in Other Financial Current Assets 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. The prior year balance has not been restated as details were not collected on materiality grounds.

16.2 Intra-Government balances

Departmental Group

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	423,943	254,680	4,482	6,564
Balances with local authorities	348,622	335,631	4,718	3,036
Balances with NHS bodies outside the Departmental Group	16,386	14,635	-	-
Balances with Public Corporations and Trading Funds	10,352	570	-	-
Subtotal: Intra-government balances	**799,303**	**605,516**	**9,200**	**9,600**
Balances with bodies external to government	2,495,253	2,290,330	560,658	611,726
Total receivables	**3,294,556**	**2,895,846**	**569,858**	**621,326**

Core Dept & Agencies

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	129,254	7,658	1,882	592
Balances with local authorities	50	9	-	105
Balances with NHS bodies outside the Departmental Group	14,167	12,003	-	-
Balances with NHS bodies inside the Departmental Group	531,721	632,237	391	72
Balances with Public Corporations and Trading Funds	10,000	113	-	-
Subtotal: Intra-government balances	**685,192**	**652,020**	**2,273**	**769**
Balances with bodies external to government	470,143	464,338	117,560	171,377
Total receivables	**1,155,335**	**1,116,358**	**119,833**	**172,146**

Core Department

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	123,929	6,700	1,882	-
Balances with local authorities	50	9	-	-
Balances with NHS bodies outside the Departmental Group	14,070	11,948	-	-
Balances with NHS bodies inside the Departmental Group	528,416	628,970	391	-
Balances with Public Corporations and Trading Funds	10,000	-	-	-
Subtotal: Intra-government balances	**676,465**	**647,627**	**2,273**	**-**
Balances with bodies external to government	428,876	431,480	117,416	172,054
Total receivables	**1,105,341**	**1,079,107**	**119,689**	**172,054**

17. Trade payables and other current liabilities

17.1 Analysis by type

			2014-15 £'000			2013-14 £'000
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Amounts falling due within one year:						
Trade payables	14,544	25,720	2,795,824	13,377	28,337	2,800,712
Capital payables	96,926	96,926	724,537	164,638	164,638	791,816
Other payables	32,720	39,983	1,218,855	39,137	51,386	1,277,465
Trade and other payables	**144,190**	**162,629**	**4,739,216**	**217,152**	**244,361**	**4,869,993**
Bank Overdraft	-	-	24,568	-	-	10,367
VAT	-	-	10,648	-	-	4,957
Other taxation and social security	2,665	2,665	849,067	3,302	3,302	840,292
Early retirement costs payable within one year	-	-	696	-	-	137
EEA Medical Costs Accrual	434,688	434,688	434,688	555,252	555,252	555,252
Other accruals	403,264	522,210	6,894,845	324,851	399,932	6,526,018
Deferred income	25,172	38,614	632,064	23,700	36,869	575,982
Current part of finance lease	3,952	3,952	58,435	3,844	3,844	49,637
Current part of imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	-	288,953	-	-	342,245
Amount issued from the Consolidated Fund for supply but not spent at year end	1,634,218	1,634,218	1,634,218	650,807	650,807	650,807
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Received	220	220	220	1	1	1
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	-	-	9,393	-	-	9,284
Pension liabilities	-	-	65,961	-	937	2,664
Other current liabilities	-	-	80	-	-	4,413
Other liabilities	**2,504,179**	**2,636,567**	**10,903,836**	**1,561,757**	**1,650,944**	**9,572,056**
Total current payables	**2,648,369**	**2,799,196**	**15,643,052**	**1,778,909**	**1,895,305**	**14,442,049**
Amounts falling due after more than one year:						
Finance leases	4,450	4,450	424,968	6,658	6,658	259,173
Imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	-	11,469,210	-	-	11,541,572
Pension liabilities	-	-	355	-	-	533
Financial liabilities	**4,450**	**4,450**	**11,894,533**	**6,658**	**6,658**	**11,801,278**
Trade payables	-	-	6,572	-	-	14,993
EEA Medical Costs Accrual	65,835	65,835	65,835	128,923	128,923	128,923
Other accruals	4,000	4,000	10,352	-	-	7,515
Capital payables	8,645	8,645	12,525	38,450	38,450	39,605
Other payables	256	256	74,670	6,322	6,322	81,160
Deferred income	1,500	1,500	176,282	7,126	7,126	194,046
Non-current loans payable by NHS Trusts and Foundation Trusts to entities outside the accounting boundary	-	-	145,666	-	-	113,093
Other payables	**80,236**	**80,236**	**491,902**	**180,821**	**180,821**	**579,335**
Total non-current payables	**84,686**	**84,686**	**12,386,435**	**187,479**	**187,479**	**12,380,613**
Total payables	**2,733,055**	**2,883,882**	**28,029,487**	**1,966,388**	**2,082,784**	**26,822,662**

17.2 Intra-Government balances

Departmental Group

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	2,998,270	1,995,985	3,319	5,888
Balances with local authorities	648,771	436,271	421	2,019
Balances with NHS bodies outside the Departmental Group	27,429	5,431	-	-
Balances with Public Corporations and Trading Funds	71,198	46,655	-	-
Subtotal: Intra-government balances	**3,745,668**	**2,484,342**	**3,740**	**7,907**
Balances with bodies external to government	11,897,384	11,957,707	12,382,695	12,372,706
Total payables	**15,643,052**	**14,442,049**	**12,386,435**	**12,380,613**

Core Dept & Agencies

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	1,728,887	724,744	-	-
Balances with local authorities	911	1,248	-	-
Balances with NHS bodies outside the Departmental Group	11,825	(1,385)	-	-
Balances with NHS bodies inside the Departmental Group	243,220	93,517	-	156
Balances with Public Corporations and Trading Funds	312	1,318	-	-
Subtotal: Intra-government balances	**1,985,155**	**819,442**	**-**	**156**
Balances with bodies external to government	814,041	1,075,863	84,686	187,323
Total payables	**2,799,196**	**1,895,305**	**84,686**	**187,479**

Core Department

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	1,728,887	724,369	-	-
Balances with local authorities	911	1,022	-	-
Balances with NHS bodies outside the Departmental Group	11,800	(1,406)	-	-
Balances with NHS bodies inside the Departmental Group	232,751	84,117	-	-
Balances with Public Corporations and Trading Funds	312	790	-	-
Subtotal: Intra-government balances	**1,974,661**	**808,892**	**-**	**-**
Balances with bodies external to government	673,708	970,017	84,686	187,479
Total payables	**2,648,369**	**1,778,909**	**84,686**	**187,479**

18. Provisions for liabilities and charges

	2014-15 Core Department					2013-14 Core Department				
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**130,915**	**743,876**	**405,914**	**493,388**	**1,774,093**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	-
Provided in the year	4,173	78,593	433,628	241,665	758,059	43,510	59,287	633,902	120,242	856,941
Provisions not required written back	(111)	(14,064)	(57,009)	(8,190)	(79,374)	(234)	(13,261)	(183,541)	(27,489)	(224,525)
Transfers	32	-	-	7,313	7,345	94,255	-	-	46,707	140,962
Provisions utilised in the year	(13,168)	(51,531)	(75,702)	(28,657)	(169,058)	(13,257)	(51,458)	(42,971)	(39,035)	(146,721)
Transfer to accruals	-	-	(324,308)	-	(324,308)	-	-	(555,135)	-	(555,135)
Borrowing costs (unwinding of discount)	2,356	(1,898)	(7,712)	6,373	(881)	2,209	(2,270)	(10,138)	5,837	(4,362)
Change in discount rate	3,852	4,929	(1,997)	(4,504)	2,280	4,432	(6,262)	544	(2,142)	(3,428)
Balance at 31 March 2015	**128,049**	**759,905**	**372,814**	**707,388**	**1,968,156**	**130,915**	**743,876**	**405,914**	**493,388**	**1,774,093**

	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	62,422	52,804	134,095	120,489	369,810	12,854	52,336	145,222	68,396	278,808
Non Current	65,627	707,101	238,719	586,899	1,598,346	118,061	691,540	260,692	424,992	1,495,285
Expected timing of cash flow										
Not later than 1 year	62,422	52,804	134,095	120,489	369,810	12,854	52,336	145,222	68,396	278,808
Later than 1 year, not later than 5 years	49,545	219,280	238,719	126,456	634,000	48,925	219,345	260,692	98,227	627,189
Later than 5 Years	16,082	487,821	-	460,443	964,346	69,136	472,195	-	326,765	868,096
Total	**128,049**	**759,905**	**372,814**	**707,388**	**1,968,156**	**130,915**	**743,876**	**405,914**	**493,388**	**1,774,093**

					2014-15					2013-14
					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 2014	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**
Prior period adjustments in underlying accounts	-	-	-	1,500	1,500	-	-	-	-	-
Provided in the year	4,173	78,593	433,628	252,445	768,839	43,510	59,287	633,902	127,826	864,525
Provisions not required written back	(111)	(14,064)	(57,009)	(8,309)	(79,493)	(234)	(13,261)	(183,541)	(29,564)	(226,600)
Transfers	32	-	-	7,313	7,345	95,515	-	-	47,945	143,460
Provisions utilised in the year	(13,267)	(51,531)	(75,702)	(29,039)	(169,539)	(13,346)	(51,458)	(42,971)	(39,134)	(146,909)
Transfer to accruals	-	-	(324,308)	-	(324,308)	-	-	(555,135)	-	(555,135)
Borrowing costs (unwinding of discount)	2,356	(1,898)	(7,712)	6,373	(881)	2,209	(2,270)	(10,138)	5,837	(4,362)
Change in discount rate	3,852	4,929	(1,997)	(4,504)	2,280	4,432	(6,262)	544	(2,142)	(3,428)
Balance at 31 March 2015	**129,121**	**759,905**	**372,814**	**725,815**	**1,987,655**	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**

	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	62,521	52,804	134,095	137,516	386,936	12,943	52,336	145,222	73,529	284,030
Non Current	66,600	707,101	238,719	588,299	1,600,719	119,143	691,540	260,692	426,507	1,497,882
Expected timing of cash flow										
Not later than 1 year	62,521	52,804	134,095	137,516	386,936	12,943	52,336	145,222	73,529	284,030
Later than 1 year, not later than 5 years	49,941	219,280	238,719	127,580	635,520	49,281	219,345	260,692	99,742	629,060
Later than 5 Years	16,659	487,821	-	460,719	965,199	69,862	472,195	-	326,765	868,822
Total	**129,121**	**759,905**	**372,814**	**725,815**	**1,987,655**	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**

	2014-15						2013-14					
	Departmental Group						Departmental Group					
	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**464,038**	**743,876**	**405,914**	**25,653,367**	**2,754,625**	**30,021,820**	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**
Prior period adjustments in underlying accounts	561	-	-	1,841	8,373	10,775	(1,402)	-	-	-	(1,223)	(2,625)
Provided in the year	30,594	78,593	433,628	7,017,390	713,054	8,273,259	66,579	59,287	633,902	5,154,975	1,155,672	7,070,415
Provisions not required written back	(5,960)	(14,064)	(57,009)	(3,379,207)	(504,082)	(3,960,322)	(5,547)	(13,261)	(183,541)	(847,400)	(430,904)	(1,480,653)
Transfers	-	-	-	-	1	1	273	-	-	1,500	2,634	4,407
Provisions utilised in the year	(41,207)	(51,531)	(75,702)	(1,169,587)	(338,307)	(1,676,334)	(41,756)	(51,458)	(42,971)	(1,192,538)	(384,410)	(1,713,133)
Transfer to accruals	(3,665)	-	(324,308)	-	(20,784)	(348,757)	(3,249)	-	(555,135)	-	(23,332)	(581,716)
Borrowing costs (unwinding of discount)	8,451	(1,898)	(7,712)	29,364	11,563	39,768	9,261	(2,270)	(10,138)	(44,607)	15,097	(32,657)
Change in discount rate	13,833	4,929	(1,997)	124,618	(11,310)	130,073	14,588	(6,262)	544	(109,080)	2,918	(97,292)
Balance at 31 March 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**

	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current	92,034	52,804	134,095	1,550,443	1,036,489	2,865,865	49,593	52,336	145,222	1,188,000	1,155,367	2,590,518
Non Current	374,611	707,101	238,719	26,727,343	1,576,644	29,624,418	414,445	691,540	260,692	24,465,367	1,599,258	27,431,302
Expected timing of cash flow												
Not later than 1 year	92,034	52,804	134,095	1,550,443	1,036,489	2,865,865	49,593	52,336	145,222	1,188,000	1,155,367	2,590,518
Later than 1 year, not later than 5 years	171,505	219,280	238,719	8,396,712	745,126	9,771,342	160,591	219,345	260,692	8,583,925	884,921	10,109,474
Later than 5 Years	203,106	487,821	-	18,330,631	831,518	19,853,076	253,854	472,195	-	15,881,442	714,337	17,321,828
Total	**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**

Clinical Negligence

The Department of Health provides for future costs in a number of cases where it is the defendant in legal proceedings brought by claimants seeking damages for the effects of alleged clinical negligence.

NHS England, NHS Foundation Trusts and NHS Trusts retain legal responsibility for all liabilities covered by the clinical negligence schemes: the Ex-Regional Health Authority Scheme (ex RHA), Existing Liabilities Scheme (ELS) and Clinical Negligence Scheme for Trusts (CNST), but the NHS Litigation Authority (NHSLA) accounts for all the liabilities under these separate schemes. Actuaries appointed by the NHSLA undertake regular reviews to identify movements in the value of likely future settlements under these schemes, and these are recorded in the NHSLA's annual accounts.

The movements in provisions recorded in the Statement of Financial Position of the NHSLA are made up of several elements, namely: changes to the value of existing claims brought forward at the start of the financial year, the outstanding value of new claims received in year which remain open at the end of the financial year, and an allowance for claims incurred during 2014-15 which are yet to be reported.

Known reported claims are individually valued using likely costs to resolve the claim and probability factors to take account of the potential of a successful defence, whilst incurred but not reported (IBNR) claims are valued using actuarial models to predict likely values. The value of the provision increased by £2.6 billion in 2014-15 from £25.7 billion at 31 March 2014 to £28.3 billion at 31 March 2015. These provisions are also reported in the accounts of NHSLA together with other provisions of £0.3 billion. These represent the English element of the clinical negligence provision as shown in Whole of Government Accounts.

In 2014-15, 11,497 new clinical negligence claims were received, a reduction of 3.75% from 2013-14. New non-clinical claims received remained relatively static at 4,806. This is the first time since 2006-07 that new clinical claims reported to the NHSLA have not shown a year-on-year increase.

Clinical negligence claims which may succeed, but are less likely or cannot be reliably estimated, are accounted for as contingent liabilities. Further information of the breakdown of the Clinical Negligence provisions can be found in the NHS Litigation Authority Annual Report and Accounts.

In 2014-15 HM Treasury changed the three tiered discount rates for general provisions, the short-term rate (-1.5%) applying from one to five years, medium-term (-1.05%) applying between five and ten years and long-term (2.2%) applying for longer than 10 years. Note 1.23 provides further details. The impact of this change on the clinical negligence provision was £124.6 million.

Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, some uncertainty about the value of the liability remains. The table below provides a sensitivity analysis to enable readers to understand the impact on IBNR provisions were the HM Treasury discount rates to be further adjusted by 0.1%. It should be noted that the relationship is not purely linear in all cases, as can be seen by the changes outlined in the table. The clinical negligence provision for IBNR claims recorded in the Statement of Financial Position would increase by £248 million if the discount rate was reduced by 0.1%. If the discount rate were to be increased by 0.1%, the value of IBNR claims would reduce by £242 million.

Sensitivity to changes in the discount rate	Estimated IBNR provision £m	Change to original IBNR estimate £m	Change to original estimate %
0.1% decrease in the real discount rate	15,409	248	1.6%
Tiered real discount rate structure	15,161	0	0.0%
0.1% increase in the real discount rate	14,919	(242)	(1.6)%

The clinical negligence provision's value is particularly sensitive to changes in the long term discount rate given its nature. The disclosures above show the impact of a change of 0.1%, however the potential change in the discount rates applied could be significantly more in the long term meaning the uncertainty surrounding the valuation of this liability could be significantly greater than the numerical values presented.

Other factors affecting the value of the clinical negligence liability which are subject to estimation and assumption include patterns of delay in reporting incidents, assumptions regarding the severity, frequency and/or value inflation of claims, the differential between Retail Price Index (RPI) and Annual Hourly Earnings index over the long term and life expectancy.

Early Departure

These financial statements provide for the additional future costs, beyond the normal benefit awards for which employees are eligible under the terms of their pension scheme, arising from compensation payments for termination of employment through redundancy, severance or early retirement. The provision also takes account of arrangements with pension schemes under which employees can make prepayments to meet future liabilities. On the basis of the age of retirees, expenditure is likely to be incurred over a period of up to nine years.

The provision mainly relates to early retirement liabilities in NHS Trusts (£151.8 million) and NHS Foundation Trusts (£185.5 million). In 2013-14, NHS Trusts and NHS Foundation Trusts held provisions for early departures of £157.3 million and £167.4 million respectively.

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 £2,613.1 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 £664.9 million, of which £657.7 million was accounted for by NHS England Group. Of the total, £320.2 million was expected to be paid within one year, £314.7 million paid between one and five years and the remaining amount of £30.0 million paid after five years.

Provision for Legal Claims

Provisions made for future legal claims total £91.5 million. Of this total, £57.3 million are against NHS Foundation Trusts, £30.7 million against NHS Trusts and the remainder split between other group bodies.

£60.4 million is expected to be paid within one year, £13.1 million in one to five years, and £18.0 million after five years.

Restructuring Provisions

Provisions for restructuring totalling £36.2 million were recorded, with £11.2 million recorded by NHS Trusts and £18.6 million recorded by NHS Foundation Trusts. Of the total, £31.7 million is expected to be paid within one year, £2.5 million between one and five years and £2.0 million paid after five years.

Redundancy Provisions

Provisions for future redundancy payments totalled £73.1 million, of which £20.5 million was with NHS Trusts, £40.5 million was with NHS Foundation Trusts. Of the total, £67.9 million of payments were expected to be paid within one year, £4.9 million of payments were expected to be paid within two to five years and £0.3 million of payments were expected to be paid in at least five years.

Provision for Support

The Department of Health holds provisions for future support of patients affected by contaminated blood supplies. During the year, the Department revised its model and assumptions for calculating the value of future payments to be made in respect of contaminated blood. The updated model uses more detailed information which was not available at the time of the original model being devised. The revised model has increased the provision by approximately £143.0 million.

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 £315.4 million of which £14.8 million is expected to be paid within one year, £60.0 million in one to five years and £240.6 million after five years.

The provision for future support of patients who contracted HIV from contaminated blood supplies totalled £139.0 million of which £7.6 million is expected to be paid within one year, £30.2 million in one to five years and £101.2 million after five years.

Other Miscellaneous provisions

The total of other miscellaneous provisions was £1,293.0 million. These relate to a range of issues, including: equal pay, onerous contracts, lease dilapidations, Independent Sector Treatment Centres, and partially completed treatments. Of the total, £533.9 million of payments were expected to be paid within one year, £319.7 million are expected to be paid within 2 to 5 years and £439.4 million are expected to be paid in more than 5 years.

18.1 Pensions

Movements in defined benefit obligation and fair value of plan assets

This pension disclosure includes single entity funded defined obligation schemes for CQC, a number of 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:

	2014-15 £'000	2013-14 £'000
Present value of the defined benefit obligation at 1 April 2014	**(422,488)**	**(421,368)**
Prior period adjustments in underlying accounts	-	15,248
Current Service Costs	(7,927)	(20,096)
Past Service Costs	-	(11)
Interest Costs	(18,071)	(17,859)
Settlements and curtailments	-	3,675
Contribution from scheme members	(2,404)	(2,315)
Remeasurement of the defined benefit obligation:		
Actuarial Gains and (Losses)	(46,527)	9,903
Benefits paid	11,974	11,710
Scheme transfers	-	-
Transfers to/from other bodies	-	(1,375)
Other	-	-
As at 31 March 2015	**(485,443)**	**(422,488)**
Plan assets at fair value at 1 April 2014	**359,993**	**351,269**
Prior period adjustments in underlying accounts	-	(15,248)
Interest income	15,491	25,149
Settlements	(2)	(2,516)
Adjustments by the employer	7,759	6,145
Contributions by the plan participants	2,404	2,315
Remeasurement of the defined benefit asset:		
Expected Return on Assets	892	162
Actuarial Gains and (Losses)	21,829	3,258
Changes in the effect of limiting defined benefit asset to the asset ceiling	-	-
Benefits paid	(11,974)	(11,710)
Scheme transfers	-	-
Transfers to/from other bodies	-	1,169
Other	43	-
As at 31 March 2015	**396,435**	**359,993**
Plan surplus/(deficit) at 31 March 2015	**(89,008)**	**(62,495)**

19. Contingent Assets and Liabilities disclosed under IAS 37

19.1 Contingent Assets

NHS Trusts have contingent assets of £1.0 million (2013-14: £2.5 million). Foundation Trusts have £2.1 million of contingent assets (2013-14: £2.8 million).

19.2 Contingent Liabilities

The contingent liabilities considered most important to the users of the accounts are detailed below. Further information for all contingent liabilities can be found in the underlying accounts of individual bodies.

Clinical Negligence

The Department is the actual or potential defendant in a number of actions regarding alleged clinical negligence, or liabilities relating to the NHS property or third parties. In some cases, costs have been provided for or otherwise charged to the accounts. In other cases, there is a large degree of uncertainty as to the Department's liability and the amounts involved. Possible total expenditure might be estimated at £14.1 billion (2013-14: £11.8 billion), although £13.4 billion (2013-14: £11.1 billion) relating to the Clinical Negligence Scheme for Trusts (CNST), Property Expense Scheme (PES) and Liability to Third Parties Scheme (LTPS) would be expected to be met by payments from NHS Trusts.

Other Contingent Liabilities

Within the NHS England Group account (which incorporates Clinical Commissioning Groups and the NHS England Group parent) at 31 March 2015, there were net contingent liabilities of £26.4 million. These were mainly in respect of continuing care liabilities which transferred from Primary Care Trusts (PCTs) on 1 April 2013 (2013-14 £126.5 million).

Within NHS Trusts' accounts at 31 March 2015, there were net contingent liabilities of £33.4 million (2013-14: £22.5 million). These are mainly in respect of legal and litigation claims. Foundation Trusts have net contingent liabilities of £15.9 million (2013-14 £12.1 million).

Public Health England has contingent liabilities to the value of £40m.

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 £2.6million. Although at this stage the Department cannot estimate how many of these claims will be successful nor how much benefit will eventually be owed.

Employment Tribunal Cases

The Department is involved in a number of Employment Tribunal cases, following the transfer of functions between the Department and the Departmental Group.

19.3 Contingent Liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability purposes

19.3.1 Quantifiable

The Department of Health has entered into the following quantifiable contingent liabilities by offering indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39. HM Treasury's guidance *Managing Public Money* requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2014		Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2015		Amount reported to Parliament by departmental Minute
	£'000	No.	£'000	£'000	£'000	£'000	No.	£'000
Guarantees:	-	-	-	-	-	-	-	-
Indemnities:	3,080	2	100	(98)	-	3,002	2	-
Letters of comfort	-	-	-	-	-	-	-	-
	3,080	**2**	**100**	**(98)**	**-**	**3,002**	**2**	**-**

Footnote

1. A prior period adjustment was made to remove one NHS Foundation Trust £80k indemnity from the 2014-15 opening balance. This had already been reported as a contingent liability disclosed under IAS 37 in 2013-14.

19.3.2 Unquantifiable

The Department of Health has entered into a number of unquantifiable or unlimited contingent liabilities with various health bodies and private companies. There were 20 unquantifiable indemnities. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote. Full details of these can be found in the Statement of Contingent or Nominal Liabilities held at the Department.

20. Losses and Special Payments and other Accounting Notes

20.1 Losses Statement

		2014-15			2013-14		
		Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Total	Cases	83	97	79,128	77	93	71,280
	£'000	713,111	775,746	862,429	552,635	591,315	761,331
Cases over £300,000							
Cash losses	Cases	-	-	-	-	-	-
	£'000	-	-	-	-	-	-
Claims abandoned	Cases	1	1	2	-	-	2
	£'000	4,270	4,270	5,865	-	-	2,693
Cancellation of Public Dividend Capital (PDC)	Cases	6	6	6	1	1	1
	£'000	607,275	607,275	607,275	376,118	376,118	376,118
Administrative write-offs	Cases	1	1	7	1	1	3
	£'000	21,869	21,869	50,459	48,644	48,644	170,725
Fruitless payments	Cases	2	2	7	1	1	2
	£'000	892	892	3,787	9,153	9,153	12,089
Constructive Loss	Cases	1	4	4	2	5	5
	£'000	334	62,832	62,832	5,094	92,384	92,384
Store losses	Cases	-	-	2	-	-	3
	£'000	-	-	1,485	-	-	1,314
Bookkeeping losses	Cases	-	-	-	-	-	-
	£'000	-	-	-	-	-	-

Following a change to the disclosure threshold level specified in HM Treasury's *Managing Public Money*, from 2014-15 the Department discloses the number and value of all losses over £300,000 by loss category. Prior to 2014-15 the number and value of all losses over £250,000

was disclosed by loss category, with the prior year comparatives within this account continuing to apply the £250,000 disclosure threshold.

Department of Health Share of National Insurance Contribution Losses

Included within its total losses, the Department has recorded a technical loss of £77,339,848, 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 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.

Material values of PDC can only be written off with the agreement of HM Treasury by formal notice to Parliament, known as a HM Treasury minute. In 2014-15 £607,275,000 was written off by means of two Treasury minutes laid before Parliament. This was the outstanding PDC of three National Health Service Trusts and three NHS Foundation Trusts that were dissolved during the year, after transfers to successor bodies.

One new NHS Trust became operational on 1 October 2014. London North West Healthcare National Health Service Trust was issued £294,802,000 PDC in the form of Originating Capital (OC) by means of a Statutory Instrument (SI 2015/650).

The difference between the cancelled PDC of £607,275,000 and the newly created originating capital of £294,802k reflects movements in the composition and valuation of the net assets of the dissolved trusts in the years since initial establishment and the net value of assets transferred from dissolved bodies to successor NHS Trusts or NHS Foundation Trusts under absorption accounting.

Constructive Losses

The terms of the Agreement with BT for provision of NHS Spine services include provisions for payment of breakage costs and compensation for loss of profit where the Authority gives less than 12 months' notice of termination or partial termination of the Agreement. Legal advice is that a Notice of Termination may not be rescinded, and so the Spine SRO and Programme Board agreed that the Notice should not be issued until the transition to the replacement Spine 2 Core services has been successfully completed. Termination of Core Spine services following transition to replacement Spine 2 Core services on 25 August 2014 incurs compensation for loss of profit of £151,245 and breakage costs of £183,045. These costs are offset by service charge savings of £4,901,524 for the period September to December 2014.

Claims Abandoned

During 2014-2015 it was found that VAT was not being charged to organisations within the DH Group when an employee goes on secondment to another organisation within the group. A voluntary disclosure was made to HMRC. As a result of this disclosure a payment of £4,270,388 was made to the HMRC being the amount that should have been charged on secondment invoices during the prior 4 years. This VAT could have been re-invoiced to the NHS/Government organisations that received the secondees. It was decided that the VAT would not be passed on as the administration involved in this would not have been cost effective.

Fruitless Payment

Retrospective approval was sought from HM Treasury for remuneration packages offered by the NHS Trust Development Authority to two NHS Trust Chief Executives, which exceeded the £142,500 threshold. In approving the appointments HM Treasury sanctioned the department by reducing the resource budget by £363,513 - the value of the salaries of the individuals concerned for failing to seek approval prior to making the appointments.

HM Treasury determined two cases of off-payroll engagement for two senior Finance Officers at NHS England. The maximum engagement period of six months was breached and as a result HM Treasury imposed a sanction on the department by reducing the resource budget by £470,740.

A contractual liability of £528,740 was transferred to the Department. The payment was made in relation to a contractual liability owed by Cornwall and Isles of Scilly Primary Care Trust (PCT), which transferred to the Department on the abolition of the PCT.

Administrative Losses

The Core Department wrote off a balance of £21,869,113 in respect of VAT on essential medicines stock. £17,222,493 was in respect of VAT on essential medicines stock disposed of in 2014-15 and £4,646,620 in respect of prior year balances. Essential medicines asset values had been incorrectly recorded in the ledger as VAT inclusive. VAT is recoverable on the storage of the drugs stockpile, the purchase of the drugs and the audit fees associated with regulating the size of the stockpile in question. An administrative write off to the value of this bookkeeping error has been recorded in the losses note. As this is a book keeping error, it is not a loss to the taxpayer.

NHS England has identified £16.9 million of losses in relation to legacy IT transferred in 13-14 and following a review in 14-15 has impaired unsupported balances. £10 million of legacy receivables has also been impaired after being deemed uncollectable following extensive work in the year to collect them.

Other Losses

Losses within the NHS are predominantly within NHS England Group (224 cases totalling £32,481,000), NHS Trusts (23,870 cases totalling £21,841,000), NHS Foundation Trusts (52,834 cases totalling £29,134,000), Non Departmental Public Bodies (1,916 cases totalling £2,956,000) and Special Health Authorities (187 cases totalling £271,000).

Public Health England reported 14 cases totalling £62,635,000. This includes 3 constructive losses totalling £62,498,000 which relates to the write off of expired drug stocks.

20.2 Special Payments

		2014-15			2013-14		
		Core Department	Core Dept & Agencies	Departmental Group	Core Department	Core Dept & Agencies	Departmental Group
Total	Cases	20	32	11,031	40	44	11,318
	£'000	1,459	1,470	25,279	2,193	2,203	28,546
Cases over £300,000	Cases	1	1	3	1	1	2
	£'000	375	375	1,246	1,062	1,062	2,059

Following a change to the disclosure threshold level specified in HM Treasury's *Managing Public Money*, from 2014-15 the Department discloses the number and value of all special payments over £300,000. Prior to 2014-15 the number and value of all special payments over £250,000 was disclosed, with the prior year comparatives within this account continuing to apply the £250,000 disclosure threshold.

Staff Severance Payment

This was a Legacy related settlement following a claim of unfair dismissal from an ex-employee of a Primary Care Trust (PCT), which was inherited by the Department on the abolition of the PCT. The claim for unfair dismissal was based on several grounds and the Department sought legal advice regarding the claim. Following receipt of the legal advice, due to the complexity of the case and the likely chances of success in defending the claim, the decision was taken to settle the claim and HM Treasury approval for settlement was granted.

Other Special Payments

Special payments within the NHS are predominantly within NHS Foundation Trusts (5,984 cases totalling £12,075,000), NHS Trusts (4,777 cases totalling £10,222,000), Special Health Authorities (98 cases totalling £460,000) and NHS England Group (80 cases totalling £323,000).

21. Related Party Transactions

Related party transactions associated with the Core Department are disclosed within this note. Details of related party transactions associated with other bodies within the Departmental Group are disclosed in their underlying statutory accounts. As disclosed in Note 24, the Department acts as the parent of the group of organisations (Public Health England, NHS England, Clinical Commissioning Groups, NHS Trusts, NHS Foundation Trusts, Executive Non-Departmental Public Bodies, Special Health Authorities 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 2014-15.

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:

	Footnote	Payables with related party 2014-15 £'000	Purchases from related party 2014-15 £'000	Receivables with related party 2014-15 £'000	Sales to related party 2014-15 £'000
Age UK	1	35	782	-	-
Cruse Bereavement (Norwich)	2	-	43	-	-
Cambridge University	3	10	6,505	-	-
Cumberland Lodge	4	-	3	-	-
London School of Economics	5	-	2,663	-	31
Royal Surrey County Hospital NHS Foundation Trust	6	-	15,905	-	-

Footnotes

1. Dr Dan Poulter's partner holds a position at Age UK (a registered charity)
2. Norman Lamb's wife holds a part time position at Cruse Bereavement (Norwich)
3. Dame Sally Davies' husband is an employee of the Univeristy of Cambridge
4. Dame Sally Davies is a trustee of Cumberland Lodge (a registered charity)
5. Catherine Bell is a Governor at the London School of Economics
6. Jacqueline Burke, a member of the Department's Audit and Risk Committee, is the Non Executive Director & Chair of the Audit Committee, for Royal Surrey County Hospital NHS Foundation Trust

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, key manager 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.

22. NHS Charities

Following the inclusion of NHS Charities (as defined by section 43 of the Charities Act 1993) as amended in the 2012 Designation Order, the Department consolidates NHS Charities into the Consolidated Annual Report and Accounts. This note shows the income, expenditure, assets, liabilities and reserves associated with the NHS Charities sector in isolation. As such the "Total resources expended" figure will not match that in the Consolidated Statement of Comprehensive Net Expenditure, as this statement incorporates the elimination of inter-company trading with other bodies within the Departmental Group. The inter-company transactions eliminated between NHS Charities and other Group bodies totalled £100.8 million in 2014-15 (£66.7 million in 2013-14).

22.1 Charitable Income and expenditure for the year ended 31 March 2015

	NHS Charities	
	2014-15 £'000	2013-14 £'000
Total resources expended[1]	609,017	401,825
Total incoming resources	(342,346)	(345,484)
Net outgoing / (incoming) resources for the year ended 31 March 2015	**266,671**	**56,341**
Other Comprehensive Net Expenditure		
Net (gain) / loss on revaluation of charitable assets	(163,096)	(152,808)
Total Comprehensive Expenditure for the year ended 31 March 2015	**103,575**	**(96,467)**

22.2 Summary Charitable Statement of Financial Position as at 31 March 2015

	NHS Charities	
	2015 £'000	2014 £'000
Non-current assets		
Charitable investments	1,766,943	1,898,767
Other charitable non-current assets	235,454	281,087
Total non-current assets	**2,002,397**	**2,179,854**
Current assets		
Charitable cash	293,375	289,094
Other charitable current assets	228,683	210,588
Total current assets	**522,058**	**499,682**
Total assets	**2,524,455**	**2,679,536**
Current charitable liabilities	(192,752)	(279,938)
Non-current assets plus/less net current assets/liabilities	**2,331,703**	**2,399,598**
Non-current charitable liabilities	(170,744)	(118,195)
Assets less liabilities	**2,160,959**	**2,281,403**
Total charitable reserves	**2,160,959**	**2,281,403**

Footnotes

1. Includes £307m expenditure relating to Barts Charity moving outside the departmental boundary.

22.3 Charitable Financial Assets - Investments

	NHS Charities	
	2015 £'000	2014 £'000
Balance as at 1 April	**1,898,767**	**1,611,121**
Prior period adjustments in underlying accounts	21,855	156,443
Acquisitions	476,580	451,013
Disposals	(497,101)	(407,087)
Net gain/loss on revaluation	171,503	86,739
Impairment	(6)	-
Transfers[1]	(306,517)	703
Other movements	1,862	(165)
Balance as at 31 March	**1,766,943**	**1,898,767**

22.4 Other Charitable Non-current Assets

	NHS Charities	
	2015 £'000	2014 £'000
Balance as at 1 April	**281,087**	**158,974**
Prior period adjustments in underlying accounts	(42,241)	33,272
Acquisitions	7,059	5,242
Disposals	(2,675)	(1,072)
Net gain/loss on revaluation	9,312	87,031
Impairment	(986)	(844)
Transfers[1]	(14,554)	-
Other movements	(1,548)	(1,516)
Balance as at 31 March	**235,454**	**281,087**

Footnotes
1. Relates to Barts Charity moving outside the departmental boundary

23. Events after the Reporting Period

The Accounts were authorised for issue by the Accounting Officer on the 8 July 2015.

Five NHS Charities linked to NHS Foundation Trusts changed their status on 1 April 2015 and as a consequence their charitable funds will no longer be subject to consolidation in the 2015-16 Departmental Group accounts. The net assets of these charities included in the 2014-15 accounts totals £986.0 million.

On 11 June 2015 the Secretary of State announced that Monitor and NHS Trust Development Authority are to move to a single leadership. This change will mean that all NHS Providers, whether they are foundation trusts or trusts, are under the oversight of one Chief Executive.

On 31 March 2015 Health Education England closed as a Special Health Authority. On 1 April 2015 it entered a new legal status of Non Departmental Public Body. All responsibilities, assets and liabilities transferred to the new organisation.

24. Entities within the Departmental boundary

Ministers had some degree of responsibility for the following bodies during the year 2014-15.

Consolidated in the Department's Annual Report and Accounts

Supply financed agencies
- Public Health England

Other Bodies
- Clinical Commissioning Groups
- NHS Trusts
- NHS Foundation Trusts
- Skipton Fund Limited
- NHS Charities
- Community Health Partnerships Limited
- NHS Property Services Limited
- Genomics England Limited

Special Health Authorities:
- NHS Business Services Authority
- NHS Litigation Authority
- Health Research Authority[3]
- National Health Service Trust Development Authority
- Health Education England

Executive Non-Departmental Public Bodies
- Human Fertilisation and Embryology Authority
- Care Quality Commission
- Independent Regulator of NHS Foundation Trusts
- National Institute for Health and Care Excellence
- Professional Standards Authority for Health and Social Care
- Human Tissue Authority
- NHS England[1]
- The Health and Social Care Information Centre
- Health Research Authority[3]

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

Not Consolidated

Trading Funds
- Medicines & Healthcare Products Regulatory Agency
- NHS Blood and Transplant

DH Controlling Equity Investments[2]
- Plasma Resources UK
- Credit Guarantee Fund
- Dr Foster Intelligence Ltd
- NHS Professionals Ltd
- SBS
- Clinical Practice Research Datalink

Footnotes
1. NHS Commissioning Board is known as NHS England.
2. The Department holds a 50% or more controlling equity investment in the bodies listed, the detail of which can be found in Note 12 - Financial Assets.
3. Health Research Authority became an Executive Non-Departmental Public Body on 1 January 2015

The Annual Reports and Accounts of the bodies listed can be obtained from the following places:

Body	Location
Clinical Commissioning Groups	Available on the website of the relevant organisation.
NHS Trusts	Available on the website of the relevant organisation.
NHS Foundation Trusts	Available on the website of the relevant organisation. Additionally the Consolidated Account of Foundation Trusts is available at: http://www.monitor-nhsft.gov.uk/home/our-publications/reports-about-foundation-trusts/nhs-foundation-trusts-review-and-conso
Skipton Fund Limited	http://www.skiptonfund.org/annual-financial-accounts.php
NHS Business Services Authority	http://www.nhsbsa.nhs.uk/annual_report.aspx
The Health and Social Care Information Centre	http://www.hscic.gov.uk
National Institute for Health and Care Excellence	http://www.nice.org.uk/aboutnice/whatwedo/corporatepublications/annualreports/annualreports.jsp
NHS Litigation Authority	http://www.nhsla.com
NHS England	http://www.england.nhs.uk/publications
Health Research Authority	http://www.hra.nhs.uk
Human Fertilisation and Embryology Authority	http://www.hfea.gov.uk/146.html
Care Quality Commission	http://www.cqc.org.uk
Independent Regulator of NHS Foundation Trusts	http://www.monitor-nhsft.gov.uk
Professional Standards Authority for Health and Social Care	http://www.professionalstandards.org.uk
Human Tissue Authority	http://www.hta.gov.uk/publications/annualreviewsandreports.cfm
Medicines & Healthcare Products Regulatory Agency	http://www.gov.uk/mhra
NHS Blood and Transplant	http://www.nhsbt.nhs.uk/annualreview/
National Health Service Trust Development Agency	http://www.ntda.nhs.uk/
Health Education England	http://www.hee.nhs.uk/
Community Health Partnerships Limited	http://www.communityhealthpartnerships.co.uk/
NHS Property Services Limited	http://www.property.nhs.uk/

Annexes – not subject to audit

Annex A - Glossary

Administration Limit An overall limit applied to administration costs within the Department which should not be exceeded by the administration expenditure for the year.

Annually Managed Expenditure (AME) A Treasury budgetary control for spending that is generally difficult to control, large as a proportion of the Department's budget, and volatile in nature.

Comptroller & Auditor General Head of the National Audit Office. Responsible for auditing the Department's Accounts.

Consolidated Fund The Treasury's account at the Bank of England which is used by most Government Departments for processing payments and receipts.

Consolidated Fund Extra Receipts (CFERs) Receipts which the Department cannot use to finance expenditure and which are surrendered to the Consolidated Fund. CFERs can be revenue or capital in nature.

Core Department The Department of Health only. It does not include any of the bodies consolidated in the resource accounts.

Departmental Expenditure Limit (DEL) A Treasury budgetary control for spending that is within the Department's direct control and which can therefore be planned over an extended (Spending Review) period (such as the costs of its own administration, payments to third parties, etc.).

Estimate A summary of the resources and cash voted by Parliament to the Department for a particular year and against which expenditure is monitored. It is analysed by Requests for Resources, each being monitored separately.

Executive Agency Part of a government department but treated as managerially separate with its own budget, to carry out executive functions of government.

Executive Non-Departmental Body A body that delivers a particular public service and carries out its work at arm's length from government ministers.

General Fund The General Fund represents the historic cost of the total assets less liabilities of the Department, to the extent that it is not represented by other reserves and financing items. It is included in Taxpayer's Equity on the Statement of Financial Position.

Informatics formerly known collectively as NHS Connecting for Health, contains a collection of large infrastructure IT Programmes that are used across the NHS to enable a move towards a single, electronic care record for patients and to connect General Practitioners to hospitals, providing secure and audited access to these records by authorised healthcare professionals.

Monolines Companies that provide guarantees to insurers (note 12 to the Accounts)

Net Cash Requirement The amount of cash required and authorised from the Consolidated Fund for the Department to carry out the functions specified in the Estimate. Actual cash used during the year is described as the outturn of the net cash requirement.

Net Resource Outturn This is the net total of income and expenditure consumed by the Department during the financial year.

NHS England Group NHS England produce an account that consolidates the accounts of NHS England itself and the 211 Clinical Commissioning Groups.

Programme costs Programme costs include the running costs of NHS bodies funded directly by the Department but otherwise reflect non-administration costs, including payments of grants and other disbursements by the Department.

Special Health Authority A body that provides a health service to the whole of England, not just a local community

Abbreviations:

AA – Administrative Assistant

ALB – Arm's Length Bodies

AMR – Antimicrobial resistance

ARC – Audit and Risk Committee

BRE – Better Regulation Executive

CETV – Cash Equivalent Transfer Value

CCG – Clinical Commissioning Groups

CHP – Community Health Partnerships Ltd

CRA – Country and regional analyses

CVD – Cardio Vascular Disease

CYPIAPT – Children and Young People's Improving Access to Psychological Therapies

CMO – Chief Medical Officer

COFOG – Classification of the Functions of Government

CQC – Care Quality Commission

DECC – Department of Energy and Climate Change

Defra – Department for Environment, Food and Rural Affairs

DG – Director General

DH – Department of Health

EHRC – Equality and Human Rights Commission

ENDPB – Executive Non-Departmental Body

EU-15 - European 15 area region

FTE – full-time equivalent

HEE – Health Education England

HSCIC – Health and Social Care Information Centre

IA – Impact Assessment

IAS – Internal Audit Service

ICT – Information and communications technology

MHRA – Medicines and Healthcare Products Regulatory Agency

MMR – Measles, mumps and rubella vaccine

MOC – Memorandum of Co-operation

MOG – Machinery of Government

MP - Member of Parliament

NHSBT – NHS Blood and Transplant

NHSE – NHS England

NHS FT – NHS Foundation Trusts

NHSLA – NHS Litigation Authority

NHSPS – NHS Property Services Ltd

NHST - NHS Trusts

NICE – National Institute for Health and Care Excellence

NIHR – National Institute Health Research

NHS TDA – NHS Trust Development Agency

OGD – Other Government Departments

ONS – Office of National Statistics

OSCAR – Online System for Central Accounting and Reporting

PHE – Public Health England

PPRS – Pharmaceutical Price Regulation Scheme

PSS – Personal Social Services

RPC – Regulatory Policy Committee

RTA – Regulatory Triage Assessment

SCS – Senior Civil Servant

SoS – Secretary of State

SpHA – Special Health Authority

SSRB – Senior Salaries Review Board

TES – Total Expenditure on Services

TRC – Translational Research Council

UKCTG – UK Clinical Trials Gateway

WTE – whole-time equivalent

Annex B – Government Core Tables

Government Core Tables

The figures in core tables 1 and 2 are from HM Treasury's public expenditure database OSCAR. This is consistent with Treasury publications.

B1. Core Table 1 Public Spending – net budgetary totals 2009-10 to 2015-16

Total Departmental Spending

£'000

	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 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	113,325,931
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
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
Revised Resource DEL	**81,219,067**	**87,622,604**	**94,422,482**	**97,469,363**	**100,265,844**	**102,569,865**	**106,495,326**	**110,554,300**	**113,325,931**
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*	*1,387,000*
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**	**6,600,000**
of which depreciation	*548,759*	*386,765*	*2,499,236*	*1,000,777*	*716,384*	*1,145,927*	*1,133,780*	*956,669*	*700,000*
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**	**119,925,931**
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	4,821,000
Capital AME	37,142	13,831	6,441	7,876	0	0	(69,813)	(4,938)	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**	**4,836,000**
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**	**122,674,931**
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	116,759,931
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	5,915,000

Notes

1. The revised TDEL calculated in this table excludes spending for functions that have transferred out of DH that were originally included within either the Plans or Spending Outturns. This 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.

Spending by local authorities on functions relevant to the department

£'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 Plans
Current spending	-	-	-	-		-	-	-	-
of which:									
financed by grants from budgets above	1,795,016	141,225	30,031	185,247	136,145	93,338	2,713,831	2,862,060	2,652,605
Capital spending	-	-	-	-		-	-	-	-
of which:									
financed by grants from budgets above	158,571	163,558	257,117	181,954	155,012	127,911	129,059	131,666	134,074

B2. Core Table 2 Public Spending Control – 2014-15 outturn figures and control limits

	2014-15 Original plan £'000	2014-15 Final plan £'000	2014-15 Outturn £'000
Resource DEL	109,650,145	110,555,553	110,554,300
Capital DEL	4,653,667	4,013,667	3,950,694
Resource AME	6,006,000	6,606,000	3,418,733
Capital AME	10,000	15,000	- 4,938

B3. Core Table 3 Capital Employed 2010-11 to 2015-16

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	outturn	outturn	outturn	outturn	outturn	plan
	£'000	£'000	£'000	£'000	£'000	£'000
Assets and Liabilities on the statement of financial position at end of year						
Assets						
Other non-current assets	129,975	122,726	125,395	172,146	119,833	126,945
Intangible assets	1,495,695	1,589,475	1,314,346	1,310,607	844,935	895,083
Tangible assets	1,297,908	1,197,267	1,168,608	1,319,318	1,174,173	1,243,862
of which:						-
Land	*113,628*	*102,338*	*97,539*	*123,505*	*112,176*	118,834
Buildings	*123,652*	*89,863*	*92,465*	*207,170*	*209,521*	221,956
Dwellings	*(0)*	*(0)*	*(0)*	*(0)*	*(0)* -	0
IT	*146,240*	*130,330*	*98,883*	*49,714*	*32,839*	34,788
Payments on account & assets under construction	*815*	*0*	*3,158*	*44,949*	*38,287*	40,559
Furniture & fittings	*34,530*	*8,312*	*8,569*	*7,555*	*6,806*	7,210
Plant & machinery	*48,477*	*43,397*	*36,286*	*67,898*	*68,977*	73,071
Transport equipment	-	-	-	-	-	-
Stockpiled goods	*830,229*	*822,763*	*831,448*	*818,267*	*705,307*	747,168
Investment property	*338*	*263*	*260*	*260*	*260*	275
Investments [1]	25,323,617	25,924,137	25,981,056	27,598,311	29,519,588	31,271,614
Current assets	2,194,153	1,220,034	2,119,362	1,846,052	2,812,099	2,979,001
	30,441,349	30,053,638	30,708,767	32,246,434	34,470,628	36,516,505
Liabilities						
Payables (<1 year)	(2,905,726)	(1,725,118)	(2,470,464)	(1,895,305)	(2,799,196)	(2,965,332)
Payables (>1 year)	(425,684)	(339,288)	(355,599)	(187,479)	(84,686)	(89,712)
Provisions	(1,487,007)	(1,655,536)	(1,710,361)	(1,781,912)	(1,987,655)	(2,105,625)
	(4,818,417)	(3,719,942)	(4,536,425)	(3,864,696)	(4,871,537)	(5,160,669)
Capital employed within Core Department & Agencies	**25,622,932**	**26,333,696**	**26,172,342**	**28,381,738**	**29,599,091**	**31,355,836**
Total Capital employed Trusts	13,413,318	12,114,929	11,305,396	12,588,823	12,133,202	12,853,323
Total Capital employed Foundation Trusts	16,338,866	17,497,184	17,952,444	19,611,831	21,065,119	22,315,361
Total Capital employed NHS England	-	-	-	(6,303,590)	(6,520,779)	(6,907,796)
Others [2]	(14,269,740)	(16,242,540)	(20,625,359)	(20,380,381)	(22,758,862)	(24,109,630)
Arms Length Bodies net assets	**15,482,444**	**13,369,572**	**8,632,481**	**5,516,683**	**3,918,680**	**4,151,259**
Adjustment for intra-group eliminations	(23,121,356)	(23,553,366)	(23,649,033)	(24,897,465)	(26,091,338)	(27,639,893)
Total Capital Employed in Departmental Group [3]	**17,984,020**	**16,149,902**	**11,155,791**	**9,000,956**	**7,426,433**	**7,867,202**

Notes:

1. Forecast growths are consistent with expenditure growth assumptions in Spending Review
   Total Departmental Spending, excluding transfer to DCLG (core table 1a):

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
102,632	105,321	109,850	112,832	115,802	122,675

2. Total capital employed in "Other" bodies is negative due to the value of net liabilities in the Statement of Financial Position of the NHS Litigation Authority.

3. Figures may not sum due to rounding.

B4. Core Table 4 Administration Budgets 2009-10 to 2015-16

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn [1]	Outturn [2]	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total administration budget		**5,425,184**	**3,540,726**	**3,670,052**	**3,121,751**	**2,873,148**	**3,118,720**

1 The extended administration control did not exist in 2009-10

2 The 2010-11 administration figure is as per the baseline used for the Spending Review

B5. Core Table 5 Staff in Post 3 years outturn

Is included within Annex C3

Spending by Country, Region and Function

1. **Core Tables B6, B7 and B8** show analysis of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2014 release. The figures were largely taken from the **O**nline **S**ystem for **C**entral **A**ccounting and **R**eporting (OSCAR) during the summer of 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to Departmental totals). Please note that totals may not sum due to rounding.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and Public Corporations' capital expenditure, but do not include capital finance to Public Corporations. They do not include payments to local authorities or Local Authorities own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2014[64].

4. The data features both identifiable and non-identifiable spending:
    a. Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
    b. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table B8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

[64] https://www.gov.uk/government/publications/public-expenditure-statistical-analyses-2014

B6. Core Table 6 Total Expenditure by Country and Region

£ million

Department of Health	National Statistics				
	2009-10	2010-11	2011-12	2012-13	2013-14
North East	5,203	5,250	5,420	5,573	5,684
North West	13,355	13,436	14,044	14,742	14,557
Yorkshire and the Humber	9,245	9,293	9,783	10,062	10,115
East Midlands	7,187	7,230	7,585	7,857	7,954
West Midlands	10,057	10,258	10,628	11,066	10,926
East	9,549	9,732	9,234	9,490	10,070
London	18,706	19,647	20,053	20,016	19,933
South East	14,087	14,449	14,217	14,566	15,072
South West	8,343	8,377	8,749	9,108	9,785
Total England	95,732	97,673	99,712	102,479	104,096
Scotland	-	-	-	-	-
Wales	-	-	-	-	-
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	95,732	97,673	99,712	102,479	104,096
Outside UK	809	880	672	652	558
Total identifiable expenditure	96,541	98,553	100,385	103,132	104,655
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	96,541	98,553	100,385	103,132	104,655

B7. Core Table 7 Total Expenditure per head by Country and Region

	National Statistics				
	2009-10	2010-11	2011-12	2012-13	2013-14
North East	2,020	2,029	2,087	2,142	2,177
North West	1,912	1,914	1,990	2,081	2,049
Yorkshire and the Humber	1,770	1,769	1,850	1,893	1,895
East Midlands	1,607	1,604	1,672	1,720	1,730
West Midlands	1,819	1,843	1,895	1,961	1,925
East	1,660	1,676	1,575	1,607	1,691
London	2,355	2,437	2,444	2,409	2,368
South East	1,659	1,684	1,643	1,669	1,714
South West	1,596	1,592	1,650	1,706	1,820
England	1,834	1,855	1,878	1,916	1,933
Scotland	-	-	-	-	-
Wales	-	-	-	-	-
Northern Ireland	-	-	-	-	-
UK identifiable expenditure per head	1,538	1,556	1,576	1,609	1,624

B8. Core Table 8 Total Expenditure on services by Function or Programme by Country and Region, for 2014-15

£ million

Department of Health	National Statistics														
	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Grand Total
7. Health															
7.A Medical services	5,523	14,120	9,766	7,672	10,577	9,705	19,394	14,533	9,455	100,744	-	-	-	558	101,302
7.B Medical research	4	10	7	6	8	7	11	10	6	70	-	-	-	-	70
7.C Central and other health ser	157	427	342	276	341	358	527	528	323	3,278	-	-	-	-	3,278
Total health	5,684	14,557	10,115	7,954	10,926	10,069	19,932	15,071	9,784	104,092	-	-	-	558	104,650
10. Social protection															
10.1 Sickness and disability	0	1	0	0	0	0	1	1	0	4	-	-	-	-	4
of which: personal social services	*0*	*1*	*0*	*0*	*0*	*0*	*1*	*1*	*0*	*4*	-	-	-	-	*4*
of which: incapacity, disability and injury benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total social protection	0	1	0	0	0	0	1	1	0	4	-	-	-	-	4
TOTAL DEPARTMENT OF HEALTH EXPENDITURE ON SERVICES	5,684	14,557	10,115	7,954	10,926	10,070	19,933	15,072	9,785	104,096	-	-	-	558	104,655

Annex C - Managing the Department: Workforce & Other Information

C1. Outturn Spend data from QDS

Under the Quarterly Data Summary (QDS) framework, departments' spending data is published to show the taxpayer how the government is spending their money. For the financial year 2014-15, the QDS provides a common set of data to enable comparisons of operational performance across government.

The QDS breaks down the total spend of departments in three ways: by budget, by internal operations and by transaction shown in the table below. This expenditure analysis will not match or directly cross refer to the notes in the main body of the resource accounts as a result of definitional differences between data sets.

Table C1: DH QDS Expenditure

	Spend in £ million
Total Spend	**£3593.24m**
(A) Spend by Budget Type	
(A1) Organisation's own budget (DEL), Sub-Total	£3422.16m
(A2) Expenditure managed by the organisation (AME), Sub-Total	£171.08m
(A3) Other expenditure outside DEL and AME	£0.00m
(A1 + A2 + A3) Total Spend	**£3593.24m**
(B) Spend by Type of Internal Operation	
(B1) Cost of running the estate, Sub-Total	£14.32m
(B2) Cost of running IT, Sub-Total	£7.59m
(B3) Cost of corporate services, Sub-Total	£29.48m
(B4) Policy and policy implementation, Sub-Total	£3593.24m
(B5) Other costs	-£51.39m
(B1 + B2 + B3 + B4+ B5) Total Spend	**£3593.24m**
(C) Spend by Type of Transaction	
(C1) Procurement Costs, Sub-Total	£269.13m
(C2) People costs, Sub-Total	£111.13m
(C3) Grants, Sub-Total	£1453.47m
(C4) Other costs	£1759.51m
(C1 + C2 + C3 + C4) Total Spend	**£3593.24m**

C2. Department of Health Staff Costs

The average number of full-time equivalent (FTE) staff employed (permanent and non-permanent) by the Core Department during the 2014-15 financial year fell by a total of 192 (8%) compared to 2013-14. A breakdown of the Core Department figures is set out in table C2 below, and also shows the £64million reduction in costs and is reported in Note 3.2 to the accounts.

Table C2: Average Number of Persons Employed by the Core Department (FTE basis)

	Permanently employed staff	Other	Total	Total Staff Cost £ million
2013-14	1,853	444	2,297	£175m
2014-15	1,859	246	2,105	£111m
Change	6	-198	-192	-£64m

Note: Staff costs exclude the cost of Ministers and Special Advisors. Other includes Fixed Term Appointments, Agency Workers, contractors and consultants as defined by the CAS definition

The Department has continued to significantly reduce its reliance on non-permanent workers, with average number over the 2014-15 financial year reducing by 198 FTE (45%), compared to 2013-14. The actual reduction in the number of non-permanent workers between March 2014 and March 2015 was 78 FTE (30%). With the drive to reduce the number of non-permanent workers, the average number of permanently employed staff has increased by 6 FTE. The actual change of staff in post is shown in table C3 below.

C3. Department of Health Workforce

The Department has been operating under a structure of seven directorates. In June 2014, a new directorate was created for Innovation, Growth and Technology, with the aim of being a catalyst for major transformations in health outcomes and health and care service delivery. The directorate supports innovation, growth and the use of technology, including digital across the health and care system

The table below provides a snapshot of the number of permanent DH core staff in post at year end and for the last three years and is presented on a different basis to the average full time equivalents shown in table C2.

The reasons behind the increase in staff numbers include replacing non-permanent workers with payroll funded staff which are more cost effective and recruitment drive to strengthen the digital capability as part of the Department's digital strategy.

Table C3: Core Table 5 Core Department Permanent Staff in Post at 31 March

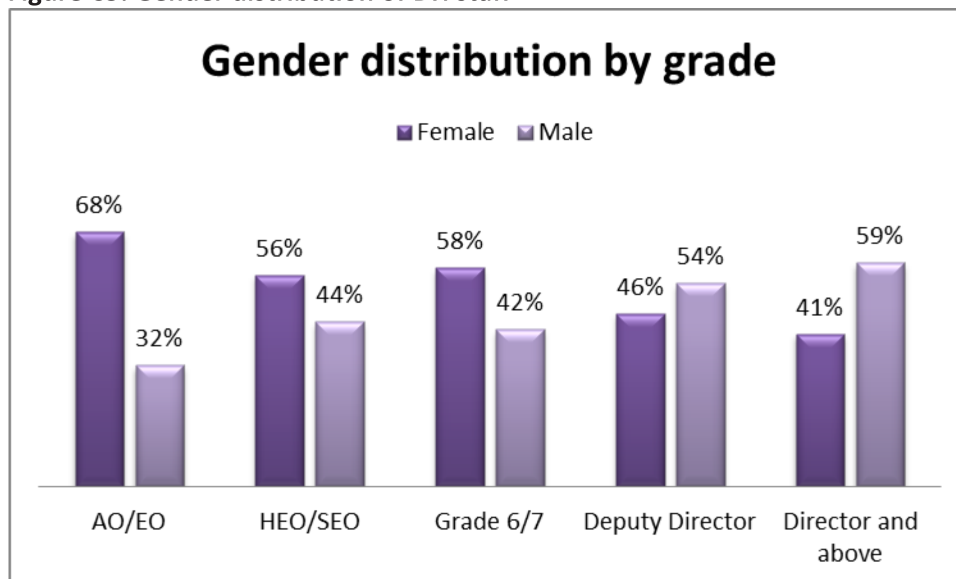
	March 2012	March 2013	March 2014	March 2015
Core Department	2,284.5	2,198.5	1,847.6	1,946.8

Note: Figures represent the position at the end of each financial year and follow ONS headcount reporting methodology

Gender distribution by grade

The chart below shows the gender distribution of staff in post by responsibility level (grade group) at 31 March 2015. The 'Director and above' group includes Directors, Directors General and Permanent Secretaries. The population is consistent with the ONS headcount reporting methodology used in Table C3.

Figure C3: Gender distribution of DH staff



C4. Department of Health Sickness Data

Sickness absence data is provided in the table below for the core Department.

Table C4a: Sickness Absence DH 2014-15

	Days Lost (Short Term)	Days Lost (Long Term)	Total Days Lost (12 month period)	Total Staff Years	Average Working Days Lost	Total Staff Employed (headcount)	Total Staff Employed with no sickness absence (headcount)	% Staff with no sickness absence (headcount)
Core Department	3,815	4,975	8,790	1,888.1	4.7	2,275	1,322	58%

Note: The Total Staff Employed in Period figure above is the number of people employed and not whole time equivalents (includes staff who left, adjusted accordingly)

Sickness absence data is provided in the table below for NHS Trusts, NHS Foundation Trusts, Clinical Commissioning Groups and other NHS organisations. Sickness absence data for arm's length bodies consolidated into these accounts is available within the underlying accounts of these organisations.

Table C4b: Sickness Absence NHS 2014-15

	Jan to Dec 2014 (12 months)		
	Total days Lost	Total Staff Years	Average Working Days Lost
NHS Trusts and Foundation Trusts	9,529,971	995,737	9.6
Clinical Commissioning Groups	69,950	12,235	5.7
Other NHS Organisations	255,606	36,070	7.1

Notes
1. NHS sickness absence statistics are published by the Health and Social Care Information Centre, using data from the NHS Electronic Staff Record (ESR) Data Warehouse
2. NHS Days Lost figures are on a full-time equivalent basis.
3. Other NHS Organisations includes national NHS organisations such as the NHS Trust Development Authority, the Health & Social Care Information Centre, NHS England and Commissioning Support Units
4. Sickness absence figures for January to March 2015 were not available in time for this publication.

C5. Off-Payroll Engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments must publish information on their highly paid and/or senior off–payroll engagements. The information, contained in the three tables below, includes all off-payroll engagements as at 31 March 2015 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.

Table C5a: For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

	Core Department	Agencies	ALBs	Other Bodies
Number of existing engagements as of 31 March 2015	88	24	793	142
Of which...				
Number that have existed for less than one year at time of reporting.	30	21	461	112
Number that have existed for between one and two years at time of reporting.	18	3	282	24
Number that have existed for between two and three years at time of reporting.	8	0	29	6
Number that have existed for between three and four years at time of reporting.	6	0	9	0
Number that have existed for four or more years at time of reporting.	26	0	12	0

Table C5b: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months

	Core Department	Agencies	ALBs	Other Bodies
Number of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	21	55	1122	62
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	21	46	812	3
Number for whom assurance has been requested	21	6	1095	20
Of which...				
Number for whom assurance has been received	21	6	620	17
Number for whom assurance has not been received	0	0	474	1
Number that have been terminated as a result of assurance not being received.	0	0	1	2

Table C5c: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015

	Core Department	Agencies	ALBs	Other Bodies
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**0**	3	21	4
Number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	**112**	19	663	30

For Senior Officials the core Department has included all officials at SCS1 payband or above with significant financial responsibility for budget(s) of £500,000 or more

C6. Equal Opportunities Policy

The Department's strategic commitments to equal opportunities and diversity incorporate an extensive range of activities, and include 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[65] and Annual Equalities Information Report[66].

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

The Department of Health is committed to treating all staff fairly and responsibly. The aim of the Department's equal opportunities policy is to promote equality of opportunity whereby no employee or job applicant is discriminated against on the grounds of their race, colour, ethnic or national origin, sex, disability, age, sexual orientation, religion or belief, gender reassignment, pregnancy or maternity status, marital or civil partnership status, responsibility for children or other dependents, work pattern, Trade Union membership or activity.

The Department uses a range of measures to track progress – including trends in staff survey data, and participation in Civil Service wide and external benchmarking exercises such as the cross-sector Stonewall Workplace Equality Index. During the course of 2014-15, the Department maintained a position in the Stonewall 'Top 100 Employers' Workplace Equality Index, and ranked 54 out of 397 organisations.

C7. Recruitment and Retention of Disabled Persons

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

[65] [1] https://www.gov.uk/government/publications/department-of-health-equality-objectives-2012-to-2016-progress-update
[66] https://www.gov.uk/government/publications/workforce-equality-information-2015

facilities. The Department is taking part in a cross-government talent programme to develop the skills required for progression to higher grades.

C8. Provision of information to and Consultation with Employees

The Department has a series of communication channels in place to deliver information about organisational and business developments to staff and to provide an opportunity for feedback, both at corporate and local level. Methods of communication range from regular electronic messages to all staff via e-mail or the Department's intranet site to face to face briefings by DH Management Committee members and the Department's senior managers. The Department also works in partnership with the Departmental Trade Unions through consultation and negotiation to encourage involvement and build engagement in decision making processes.

C8a. Supporting Departmental Staff to Succeed

Delivering the work of the Department requires the right people, in the right place, with the right skill-set, at the right time. By supporting the workforce to be as skilled as possible and able to be flexibly deployed, this maximises the effectiveness of the resources available and ensures it can support the Department's roles, responsibilities and priorities.

The Department's Learning and Development activity during the year has focused on a number of areas:

- Building individual and organisation capability
- Creating robust leadership and management
- Supporting the development of talented and high potential individuals
- Embedding a culture of self-managed learning throughout the organisation

These priorities will continue throughout 2015-16 and will be underpinned by the development of a digital self-diagnosis capability tool, a more targeted package of learning opportunities and easier access to an increased range of effective development activities through Civil Service Learning.

The Department of Health's Connecting programme was launched to help civil servants become more connected to the real experiences of patients, people who use services and the health and social care community. The programme also helps build an understanding of how the health and care system works for those who use it and clarity around the Department's role of leading the health and care system so that people experience a service that protects and promotes health and provides safe, effective and compassionate care.

A wide range of opportunities to help connect staff to the experiences of patients and people who use services have been made available. DH staff have visited over 600 health and social care providers and third sector organisations, accompanying hospital porters; shadowing healthcare assistants; experiencing reception desks or telephone helplines; learning from doctors and nurses as they work on wards or in operating theatres; or spending time with mental health nurses or social workers in the community.

The Connecting Programme started in June 2013 and, to date, DH staff have spent over 5,500 days interacting with patients, service users, clinicians and carers, in a wide variety of health and care settings – observing, discussing and learning. First rolled out to Senior Civil Servants, the programme now includes those staff in policy teams who wish to gain deeper insight into their policy areas. Some DH staff have also been able to offer their expertise to health and care organisations in return, such as financial and analytical skills.

In addition, partner organisations have been invited into a DH for a day to learn more about what the Department does - a form of reciprocal connecting.

C9. Wellbeing of Departmental Staff

The Department's staff health and wellbeing programme (HWB) has been running for over three years.

A new programme has been developed for staff around the themes of 'prevent', 'develop' and 'support'. The 'prevent' theme is designed to help tackle issues at source, for example, through tackling work-related stress. The 'develop' theme is designed to equip the organisation, managers and employees with the skills they need or techniques to improve health and well-being, for example, through getting active and through personal development. The 'support' theme signposts staff to the support and assistance available to them through, for example, the occupational health service and employee assistance programme.

Taken as a whole, the programme offers a comprehensive suite of support, advice and services for staff. It is supported by policy and HR colleagues, staff networks and over 300 staff volunteers, as well as external partners, such as Charity for Civil Servants, Corporate Alliance against Domestic Violence and Time to Change. This includes supporting staff to take advantage of a number of sports and recreational social activities and groups through our Sports and Social Association, HASSRA, to help improve physical and social wellbeing. We also aim to inspire positive staff emotional wellbeing - for example, setting up a Domestic Violence Network, helping with managing stress, and supporting workplace adjustments for staff with mental health conditions through a range of sources including the Employee Assistance programme.

Staff health checks

Staff continue to use DH's dedicated Wellpoint health kiosks in two of our sites to monitor and analyse their weight, body mass index, body fat content, blood pressure and heart rate. The HWB team is currently installing kiosks in two other buildings.

Public Commitments

In 2014-15, we have in conjunction with our external partners continued to make considerable progress on delivering against Public Health responsibility Deal pledges, Time to Change organisational pledge and the NHS Leaders' summit commitments via the following:

- Implementing 'Time to Change' 2013 health check assessment recommendations. These are aimed at tackling mental health stigma in the workplace. Over 1000 members of staff participated in 2014 health and well-being fairs, emotional resilience workshops and events (including internal annual 'thank you' events when staff are recognised as health and well-being champions) across the DH estate. A health and well-being week took place in April 2015; and an event for health and well-being champions planned for the summer
- Celebrating World Mental Health week with various events organised across the DH estate, including a lunchtime concert, a Mental Health First Aid training course over 2 days, a Symposium on Mindfulness, with speakers from DH, OGDs as well as the NHS. The week concluded with the World mental Health Day on the 10 October 2014, with videoconference links across the estate. The audience made up of DH staff, staff from OGDs and our partners heard from speakers including our Ministers, Dame Carol Black and mental health charities about the need to reduce mental health stigma in the

workplace, as well as highlighting the positive effects that employment has on the health and well-being of individuals. Norman Lamb confirmed the Department had achieved 100% Time to Change sign up across Whitehall

- Staff videos aimed at raising awareness among staff on the benefits of maintaining work life balance through physical activities at work and the need to help reduce mental health stigma in the workplace now available on DH intranet.

Managing stress

In addition to health checks, DH also provides opportunities for staff to manage their stress better. This includes:

- Developing a staff mindfulness programme and active mindfulness community
- Creating a staff Z-card with details of confidential helplines of our partners and their services
- Developing a staff health and wellbeing corporate objective to recognise volunteers' input to the programme
- Promoting physical and social activity

Staff Recognition

In November 2014 the DH Staff Health and Wellbeing Programme celebrated its third Staff HWB 'Thank You' Event. The award event was set up in recognition of our hard working staff, HWB Champions, charity partners, network groups and anyone who had been involved in the achievements of the successes of the Health and Wellbeing Programme throughout 2014. All the nominations came from DH staff and colleagues. Tamara Finkelstein, Chief Operating Officer/DG-Group Operations, awarded the trophies.

C10. Health and Safety

The Department of Health recognises its responsibilities, under the Health and Safety at Work Act 1974, for ensuring, so far as is reasonably practicable, the health, safety and welfare of its employees, temporary staff, and visitors to its premises and to others who may be affected by its operations and/or activities. Health and safety is regarded as a key component of the organisation's strategy and its operational considerations and a prime responsibility of the management team. In 2014-15, there were 28 reported accidents; 0 of which resulted in absence, and 1 near miss.

C11. Social and Community Policies

The Department encourages staff working within the Department and its ALBs to take part in community activities, through volunteering in the local area and offering work experience opportunities to people from disadvantaged backgrounds. Its policy encourages staff to work with people from all strands of the local community, particularly those from under-privileged backgrounds. As part of its implementation plan the Department has set up partnership arrangements with Southwark Volunteering Centre, Time and Talents (Westminster), and Leeds Ahead (Yorkshire) - to help put people and teams in touch with local community groups for volunteering opportunities.

The Department also offers work experience opportunities as part of its commitment to the social mobility agenda. This includes the cross-government Whitehall Summer Internship scheme, which provides school-age students from under-represented socio-economic backgrounds with an opportunity to experience life in Whitehall and undertake work in high-profile policy teams. The Department supported nine interns in 2014-15, and continues to run this scheme on an annual basis.

In addition, the Department embarked on a local work experience initiative. This programme 'Building Bridges' is aimed at high-achieving pupils from local schools in disadvantaged areas in Newham, Southwark and Westminster. Participants are given the opportunity to see the work of the Department first hand and it also provides a unique opportunity for policy makers to gain valuable insight into how young people engage and interpret health related policies, through two-week placements in the Department. The programme offers up to ten placements a year to local partner schools with all participants mentored and supported by a Fast Stream management trainee.

C12. Spend on Consultancy, temporary and agency workers

Table C12 provides details of expenditure on Consultancy, Agency and Temporary workers by bodies within the Departmental Accounting Boundary. The definition for consultancy and temporary agency workers is in line with HM Treasury Guidance.

From 2013-14 the way in which consultancy values were reported changed. They are now reported on a resource basis, consistent with the accounts and reconcile to the figures reported in Notes 4 and 5 to the accounts, with the exception of the adjustment noted in footnote 1. Prior to 2013-14, figures were reported showing receipted amounts against purchase orders in line with Office of Government Commerce (OGC) definitions.

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 C12: Expenditure on Consultancy, Agency and Temporary Workers

	2014-15		Restated 2013-14	
	Consultancy £'000	Temporary Agency £'000	Consultancy £'000	Temporary Agency £'000
Total DH Core	8,691	19,705	588	39,991
Special Health Authorities	192	13,167	2,020	15,891
Executive Agencies[1]	194	19,026	51	23,296
NDPBs	15,092	39,578	28,946	52,181
Other ALBs	6,048	14,389	4,271	2,888
NHS England Group	157,914	300,859	128,917	239,393
NHS Providers[2,3,4,5]	417,327	3,355,723	412,394	2,605,378
Gross Total	**605,458**	**3,762,447**	**577,187**	**2,979,018**
Eliminations	(1,243)	-	(3,890)	-
Total Dept Group (after eliminations)	**604,215**	**3,762,447**	**573,297**	**2,979,018**

1. In 2013-14, the Executive Agency incorrectly categorised consultancy costs and included £10.8 million. This table reflects the correct figure, however this adjustment has not been reflected in notes 2.2, 4 and 5 to the accounts.
2.In 2013-14, one Trust did not complete the return to reflect their temporary/agency staff spend. This table reflects the revised figure.
3.NHS Trusts and Foundation Trusts have been amalgamated under "NHS Providers".
4. Expenditure by NHS providers on temporary/agency staff includes payments to external organisations, such as NHS Professionals, for the supply of additional staff from banks. These are staff who made themselves available to work extra hours at NHS rates of pay.
5.The consultancy figure for NHS Providers in 2013-14 has been adjusted by £0.6 million to reflect a restatement of Note 5 to the accounts, reallocating charges relating to PFI and LIFT contracts.

C13. Department of Health - Payment of Suppliers

The Department complies with both the CBI prompt payment code and the British Standard on prompt payment. The Department is a signatory to the Government's Prompt Payment Code and has a policy to pay all bills as soon as possible.

The standard terms of payment for all supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. Exceptions have to be fully justified and agreed by the appropriate senior management and finance colleagues. Payment terms for most other types of valid payments for grants, funding and other bodies are immediate.

The figures included within table C13 are for core Departmental payments only.

Table C13 Payment of Suppliers

	2014-15	2013-14
% paid in 5 day period	98.2%	95.4%
No. paid in 5 day period	168,053	172,476
% paid in 10 day period	93.7%	97.9%
No. paid in 10 day period	160,385	177,085
% paid in 30 day period	99.6%	99.2%
No. paid in 30 day period	170,494	179,371
Payable Days	4	1

Note: Payable Days is the proportion of the amount owed to trade payables at the year-end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year.

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