NHS England

Consolidated NHS provider accounts 2023/24

HC 399

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For the period 1 April 2023 – 31 March 2024

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

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Introduction

This document presents the results of all NHS trusts and NHS foundation trusts (termed 'providers') in England. The Department of Health and Social Care (DHSC) uses the provider sub-consolidation as part of the DHSC group accounts. We are very grateful to NHS providers for their co-operation in reporting their data to us.

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

The introduction describes the legal requirements for NHS trust and NHS foundation trust accounts and organisational changes in the provider sector in 2022/23 and 2023/24.

NHS trusts

Paragraph 11A(3) of Schedule 4 of the National Health Service Act 2006 (the 2006 Act) (as inserted by Section 87 of the Health and Care Act 2022) requires each NHS trust to prepare annual accounts for each financial year ending 31 March. These annual accounts must be audited by auditors appointed by the NHS trust.

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

NHS foundation trusts

Paragraph 25 of Schedule 7 to the 2006 Act (as amended by paragraph 31(3) of Schedule 5 to the Health and Care Act 2022) requires each NHS foundation trust to prepare annual accounts for the period beginning on the date it is authorised and ending the following 31 March and for each successive 12-month period. These annual accounts must be audited by auditors appointed by the NHS foundation trust's council of governors. The trust must lay a copy of the accounts, and any auditor's report on them, before Parliament and send them to NHS England.

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

Basis of preparation for consolidated NHS provider accounts

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

Organisation terminology

NHS Improvement, as the operating name for the NHS Trust Development Authority and Monitor legal entities, was the organisation responsible for the oversight of NHS providers during the first quarter of 2022/23, the comparative period in these accounts. From 2019, NHS Improvement operated jointly with NHS England. On 1 July 2022 the NHS Trust Development Authority and Monitor were abolished and their functions transferred to NHS England. These consolidated accounts reference other documents issued by NHS England: in some cases these will have been issued by predecessor legal bodies. Documents issued by the NHS Trust Development Authority and Monitor before they were abolished are treated, from 1 July 2022, as having been issued by NHS England.

Changes in legal status of NHS providers

These consolidated NHS provider accounts incorporate the results of all NHS trusts and NHS foundation trusts. Entities for which legal status changed in 2022/23 or 2023/24 are as follows:

		NHS trusts	NHS FTs	All providers
1 April 2022	**Number of providers at start of year** Includes dissolution of Northern Devon Healthcare NHS Trust on acquisition by Royal Devon and Exeter NHS Foundation Trust; entity renamed as Royal Devon University Healthcare NHS Foundation Trust.	**68**	**144**	**212**
31 March 2023	**Number of providers at end of year**	**68**	**144**	**212**
1 April 2023	Dissolution of Yeovil District Hospital NHS Foundation Trust on acquisition by Somerset NHS Foundation Trust.		-1	211
1 July 2023	Dissolution of Southport and Ormskirk Hospital NHS Trust on acquisition by St Helens and Knowsley Hospital Services NHS Trust; entity renamed as Mersey and West Lancashire Teaching Hospitals NHS Trust.	-1		210
31 March 2024	**Number of providers at end of year**	**67**	**143**	**210**

Review of financial performance of NHS providers

	2023/24	2022/23
Number of NHS providers in existence during the year	211	212
Deficit before impairments and transfers (see footnote 1 below on movement between years)	£2,312 million[1]	£457 million
Number of NHS providers recording a deficit before impairments, transfers and consolidation of charitable funds	136[1]	105
Capital expenditure (purchases and new or modified leases of property, plant and equipment and intangible assets - accruals basis)	£8,174 million	£7,803 million

The NHS continued to manage significant operational and financial pressures throughout 2023/24, impacting the delivery of the NHS long term plan. These included high inflation and disruption from industrial action, together with some areas such as cancer care experiencing record levels of demand. Despite these pressures the provider sector completed more elective pathways than in the previous financial year and exceeded its performance ambitions for cancer diagnosis.

The provider sector delivered a net deficit before impairments and gains and losses on transfers by absorption for the year ended 31 March 2024 of £2,312 million (2022/23: £457 million net deficit) and held cash of £10.8 billion as at 31 March 2024 (31 March 2023: £12.8 billion). NHS providers are not required to break even in every year. Providers are required to exercise their functions in line with the relevant plans of the integrated care board and system partners to achieve balance across the integrated care system as a whole, allowing for local allocation and prioritisation of available resources.

The following table shows the profile of NHS providers that made up the sector during 2023/24. Providers are classified by their principal services but they may also provide other services. More analysis by trust type is set out in note 2 to the financial statements.

[1] The application of IFRS 16 liability measurement principles to PFI and other service concession liabilities in 2023/24 increased the provider sector deficit on an IFRS basis by £1,094 million: see note 25.4 to the financial statements. Had this accounting policy change not been applied the number of providers reporting a deficit would have been 119. More information is provided in the ‘Remeasurement of PFI liabilities’ section.

	Acute	Mental health	Ambulance	Specialist	Community	Charitable funds	Total
Number of providers	120	47	10	16	18	n/a	**211**
% of sector turnover	75%	15%	3%	4%	3%	<0.1%	**100%**
Surplus/(deficit) before impairments and transfers (£m)	(2,215)	(64)	(12)	49	9	(83)	**(2.316)***
Number of providers reporting deficit before impairment and transfers	96	23	4	7	6	n/a	**136**

* The aggregate of the surplus/(deficit) from individual provider accounts does not equal the consolidated deficit in these accounts due to eliminating lease arrangements between NHS providers

The results for the year showed that, excluding the consolidation of charitable funds, 75 NHS providers (36%) (2022/23: 107 (50%)) delivered a surplus or broke even and 136 providers (64%) (2022/23: 105 (50%)) reported a deficit before impairments and transfers by absorption. The impact of inflationary uplifts to PFI liabilities on the new accounting basis is discussed later in this commentary. The gross deficit of all providers in deficit increased from £1,009 million in 2022/23 to £2,550 million in 2023/24. Of the 107 trusts that reported a surplus in 2022/23, 52 (49%) reported a deficit in 2023/24, while only 21 (20%) of the 105 trusts reporting a deficit in 2022/23 reported a surplus in 2023/24.

Figure 1 shows the distribution of providers' surplus or deficit for 2023/24 and 2022/23. The two lines are plotted independently. The incremental impact of applying IFRS 16 liability measurement principles to private finance initiative (PFI) schemes has been removed from the 2023/24 data series to provide comparability with the previous year. More information on the impact of applying this accounting policy change is given later in this commentary.

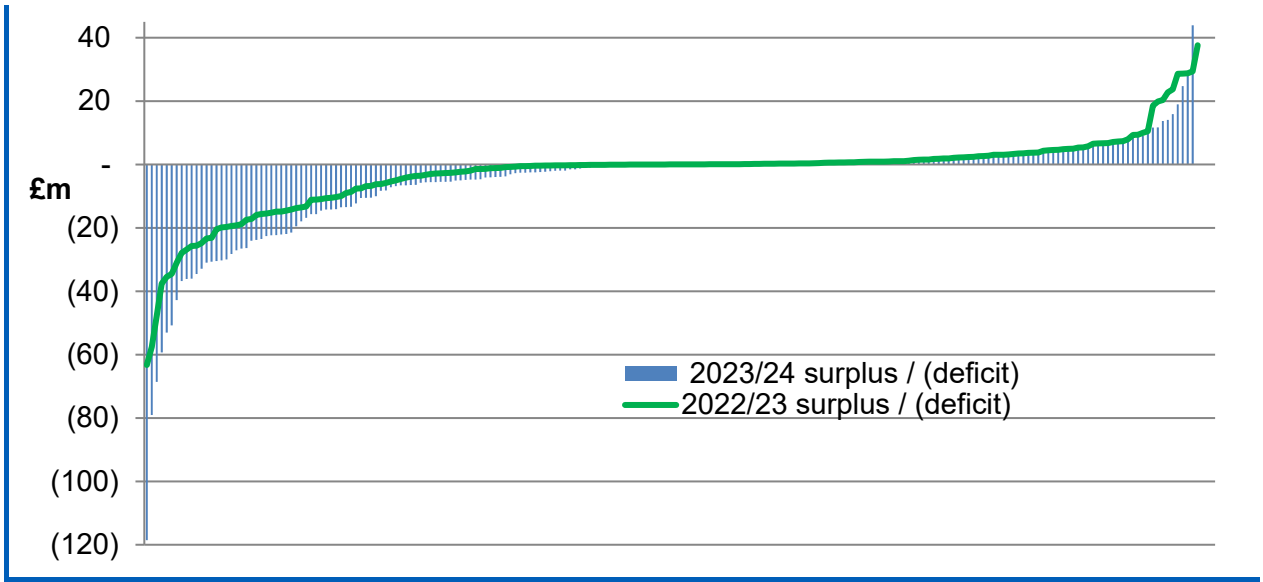

Figure 1: Surplus / (deficit) before impairments and absorption transfers
(excluding the impact of applying IFRS 16 principles to PFI liabilities)

Where NHS charitable funds are locally deemed to be controlled by an NHS provider, the financial results of the charities are consolidated in these accounts. 41 NHS providers consolidated charitable funds, contributing an aggregate deficit of £83 million (2022/23: 44 providers consolidated a £2 million deficit) and net assets of £264 million (31 March 2023: £348 million). This includes a £70 million outflow of resources relating to the change in status of two previously consolidated charities which became independent during the year.

The NHS Oversight Framework sets out the principles for system accountability and improvement support where appropriate. Providers who are in segment 4 of the oversight framework are entered into the Recovery Support Programme (RSP). This programme provides focused and integrated support to systems as well as individual organisations. As at 31 March 2024, 17 providers reporting a deficit for the year were also receiving support in the RSP (31 March 2023: 13 providers). This support may not be finance related in all cases.

206 of 211 NHS provider audited accounts have been completed at the time of finalising these consolidated accounts on 1 November 2024 (2022/23: 210 of 212). All 206 have unqualified true and fair audit opinions (2022/23: two ‘except for’ qualifications). The results of five providers have been consolidated based on unaudited accounts information provided by the Trust. Further information is provided in note 32 to these consolidated financial statements. The timeliness of local and national accounts is discussed further in the consolidated annual governance statement.

All providers have prepared financial statements on a going concern basis. HM Treasury’s Financial Reporting Manual (FReM) defines that a public sector body will be a going concern where continuation of the provision of services is anticipated in the future. The same definition is applied by NHS providers in preparing their financial statements. The accounting policies contain our going concern assessment for these consolidated accounts.

Operating income

In the year to 31 March 2024, 211 NHS providers generated total operating revenues of £128.9 billion, an increase of £7.7 billion (6.4%); a real terms increase of 0.12% when adjusted for inflation[2]. This increase of £7.7 billion includes additional funding for pay uplifts in 2023/24 and a 1.8% net uplift in contract prices with commissioners.

[2] This is calculated with reference to the GDP deflator for 2023/24 published by HM Treasury on 1 July 2024

Operating expenditure

Total operating expenditure increased from £121.0 billion in 2022/23 to £130.6 billion in 2023/24, with key movements set out below. Excluding impairments, operating expenditure increased by £8.4 billion (7.0%) from £119.9 billion to £128.4 billion; a real terms increase of 0.75% when adjusted for inflation[2].

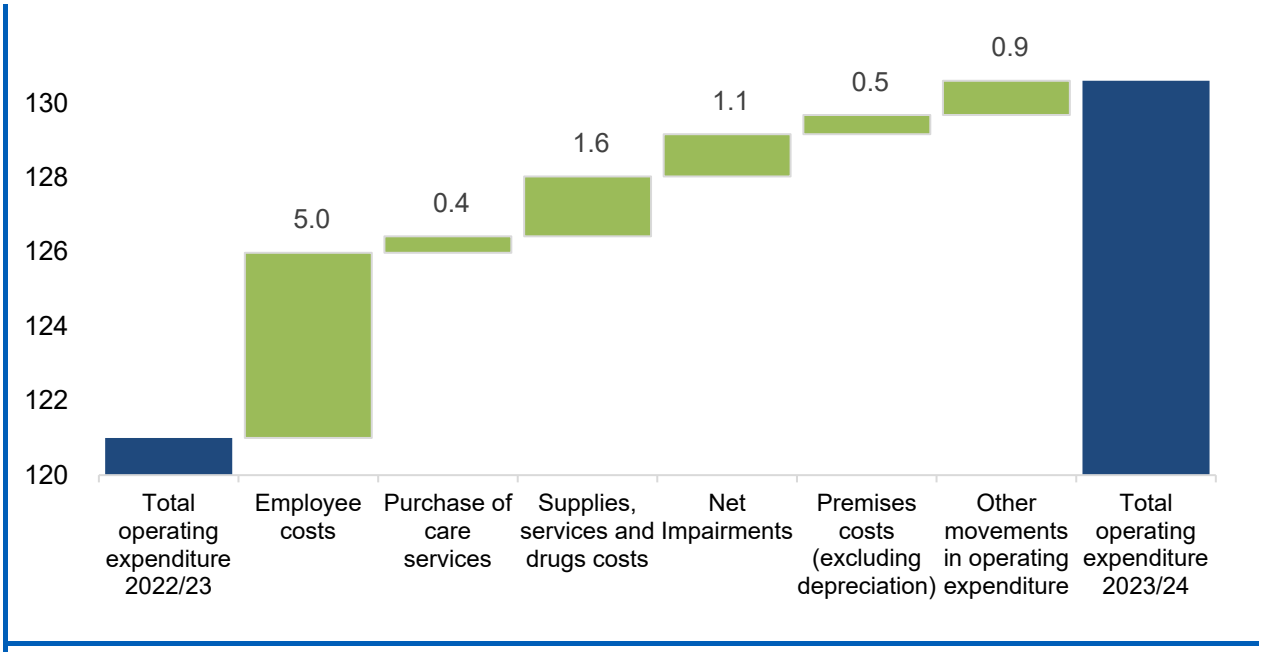

Figure 2: Expenditure bridge 2022/23 to 2023/24

High inflation has continued to impact the NHS during 2023/24 through energy prices and the cost of supplies and services. But almost 52% (£5.0 billion) of the increase in operating expenditure related to employee costs, which is largely driven by the pay awards for 2023/24. A focus on recruitment and the impact of industrial action has also further driven up staff costs.

Just over half of the increase in supplies and services (£0.8 billion) relates to drug costs including an increase in spend on high cost drugs used, including cancer treatments funded directly by NHS England.

Impact of impairments

Impairments to the carrying value of assets are charged to operating surplus except where previous revaluation surpluses remain: in such cases a reduction is first recognised in the revaluation reserve to the extent of the remaining surplus for that asset. Where the impairments are the result of a permanent loss, such as fire damage, they are always charged to expenditure. In 2023/24 net impairments charged to income and expenditure were £2,188 million (2022/23: £1,054 million). A further £1,451 million of net impairments was charged to reserves (2022/23: £518 million), reducing previously

recognised revaluation surpluses. Providers also recognised revaluation surpluses directly in reserves totalling £1,197 million (2022/23: £2,431 million). This results in a net downwards valuation movement on non-current assets of £2,442 million compared to a net upwards valuation movement of £859 million in 2022/23.

There were 170 NHS providers recording a net impairment within surplus/deficit in 2023/24 (2022/23: 135) while 24 providers recorded net reversals of impairments (2022/23: 64).

Of the £2,188 million of net impairments charged to income and expenditure, 87% arose from changes in market price (2022/23: 91%). These impairments reflect market conditions at the time of valuation and not a deterioration in the service potential of the asset. Further details of impairments are provided in note 10 to the accounts.

Application of IFRS 16 liability measurement principles to PFI and other service concession arrangements

Service concession arrangements in the NHS including PFI schemes are long term contracts between an NHS body and a private third-party operator where the private sector designs, builds, finances and operates an NHS asset and provides related services. Payments to the operator under these schemes are allocated between payments for the asset (recognised as a liability on the statement of financial position), a financing cost and payment for the services. The majority of scheme payments are uplifted annually for inflation.

In previous years, scheme liabilities have been accounted for as imputed lease liabilities and measured in accordance with International Accounting Standard (IAS) 17. Inflationary increases on payments for the asset were expensed as contingent rent when incurred. From 1 April 2023, liability measurement principles of the newer International Financial Reporting Standard (IFRS) 16 have been applied, requiring scheme liabilities to be remeasured when inflationary uplifts occur. Such remeasurements are charged to finance costs in the year that the remeasurement of the liability is accounted for. This accounting policy change has been implemented from 1 April 2023 without restatement of comparatives and the cumulative impact at 1 April 2023 has been taken to reserves.

On 1 April 2023, prior to remeasurement, 97 NHS providers held PFI liabilities totalling £7.7 billion. Remeasuring these liabilities for inflation since the start of the schemes increased the liabilities by £5.3 billion (70%). Further remeasurements of £1.6 billion arose from the inflationary uplifts applied during 2023/24. This increase in PFI liabilities has partly contributed to net assets in the consolidated accounts reducing from £51.7 billion at 31 March 2023 to £46.4 billion at 31 March 2024.

In addition to the impact on the statement of financial position, remeasurement of scheme liabilities also had a significant impact on the surplus/deficit reported by NHS providers. Inflation was high before and during 2023/24 resulting in the impact of remeasurement (charged to finance costs) outweighing the reduction in contingent rent. Although PDC dividend charges reduced as a result of the decrease in net assets, application of IFRS 16 to these schemes increased the provider sector in year deficit by a net £1.1 billion. Seventeen providers who reported a deficit before impairments and transfers in 2023/24 would have reported a surplus if PFI liability remeasurement had not been applied.

Net finance costs

Net finance costs in 2023/24 showed a net increase of £1,055 million to £2,812 million. Finance costs arising from PFI and similar schemes increased by £1,402 million, of which £1,294 million was the incremental impact of in-year remeasurement of the liabilities under IFRS 16 principles (excluding the £175 million impact on PDC dividend). This offsets the £352 million increase in interest income generated by NHS providers on cash surpluses due to higher interest rates; the Bank of England base rate was 5.25% for much of the year.

Working capital and borrowings

At 31 March 2024, NHS providers held cash and cash equivalents of £10.8 billion; equivalent to 4.7 weeks' operating costs in a sector with annual revenue of £120.6 billion (31 March 2023: 6.1 weeks). This revenue figure excludes the 6.3% NHS pension contribution made by NHS England. Revenue cash support may be provided by the Department of Health and Social Care to ensure essential day to day spend can be met thereby protecting the continuity of patient services. During 2023/24, 44 providers received public dividend capital to support short term revenue requirements, totalling a net £1,190 million (2022/23: 11 providers, £155 million). Providers in receipt of revenue support must work with NHS England to improve their financial position.

The number of receivables days has increased to 14.7 days in 2023/24 (2022/23: 13.3 days). Payable days decreased to 37.8 days in 2023/24 from 40.6 days in 2022/23. Providers are monitored on their reported timeliness in paying suppliers.

Total long-term and working capital borrowing at 31 March 2024 was £22.1 billion (31 March 2023: £16.1 billion). This increase in borrowings is mainly a result of the application of IFRS 16 measurement principles to PFI and other service concession liabilities, which increased by £6.6 billion as a result of this change.

Capital expenditure

Providers' ability to invest in capital schemes is limited by constraints in DHSC's departmental capital expenditure limit. Integrated care systems are allocated capital

budgets termed capital envelopes to cover day-to-day operational capital investment which allows for local prioritisation of available resources within the system. These allocations are supplemented with centrally allocated funds to cover nationally strategic projects such as new hospitals and hospital upgrades. Further resource is also made available to cover national programmes. In 2023/24 this included programmes such as community diagnostic centres, increasing elective capacity, mental health urgent and emergency care improvements and frontline digitisation.

Systems are required to ensure that capital plans take into account the impact on organisations' carbon emissions and deliver on objectives for a 'net-zero' National Health Service. Net-zero estates plans include examples of heat-source decarbonisation, investment in on-site renewable energy and efficiency interventions such as artificial intelligence energy management.

Total purchases and new or modified leases of property, plant and equipment and intangible assets were £8.2 billion (2022/23: £7.8 billion). More than half (65%) of capital spend was on land and buildings, with a further 19% on plant, equipment and transport, 10% on information technology, and 6% on other capital (Figure 3).

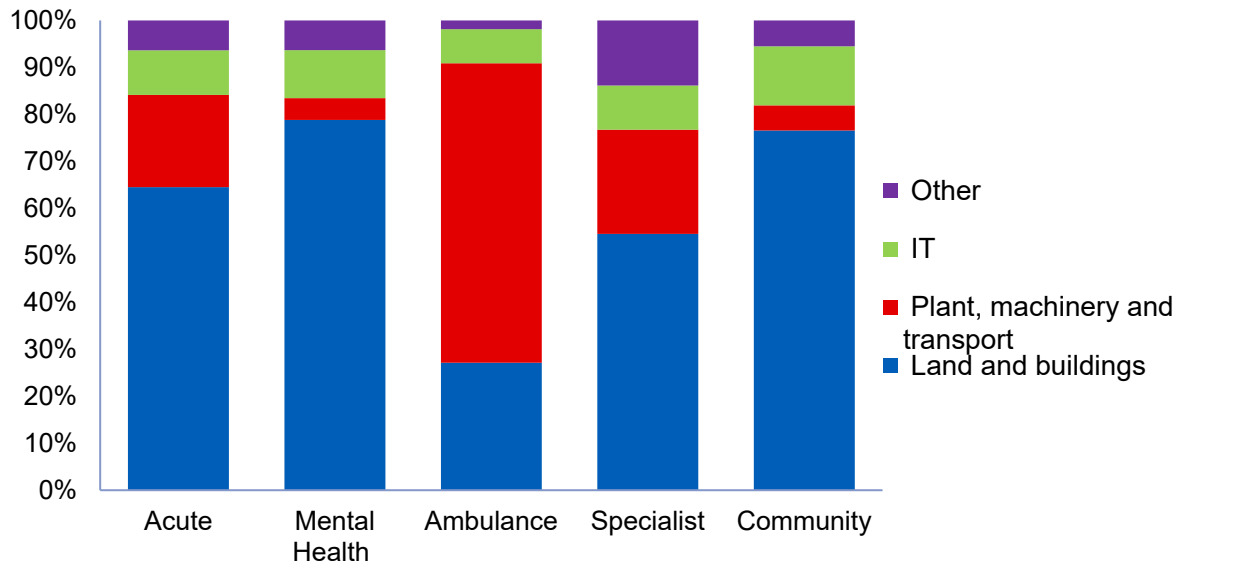

Figure 3: Proportion of capital spend by type, 2023/24

The NHS continues to invest in the redevelopment of estates to support the delivery of high-quality healthcare and maintain patient safety while also delivering on environmental targets. In June 2023, University Hospitals Sussex NHS Foundation Trust began treating patients in the new Louisa Martindale Building; the first and largest stage of the redevelopment of Sussex County Hospital and part of Government's 'new hospital programme'. The development established modernised medical wards and expanded facilities for critical care and neurosciences. East Suffolk and North Essex NHS Foundation Trust completed its two-year investment in community diagnostic services in

January 2024 when its final services opened in Clacton. The diagnostic centre is now able to provide patients living in North Essex with a full range of fast, convenient health tests closer to home.

Understanding the NHS position

Central government and NHS bodies prepare their accounts under the principles of International Financial Reporting Standards (IFRS) as adopted by HM Treasury. However central government departments also report their financial outturn on an alternative basis where some items are treated differently, such as interests in private finance initiative (PFI) schemes. It is on this basis that DHSC holds NHS England to account. The government reporting basis is against the 'non-ringfenced revenue departmental expenditure limit' (NRF RDEL). The provider outturn on this basis can be combined with the position for the NHS England group to see the overall NHS outturn:

NHS outturn	**£m**
NHS budget in directions (excluding funding for depreciation)[3]	171,036
NHS England net expenditure on a government reporting basis[4]	(173,762)
NHS provider outturn on a government reporting basis	2,492
NHS outturn	**(234)**
NHS outturn as percentage of budget	**0.1%**

In 2023/24, the NHS's overall net expenditure was £234 million higher than budget (being 0.1% of the budget); this was due to decisions on NHS pay that could not have been anticipated and planned for during the course of the financial year.

Wider context

More information on the performance of the NHS in 2023/24 and priorities going forward can be found in NHS England's annual report and accounts.

Amanda Pritchard
Chief Executive Officer
15 November 2024

[3] As contained in annex A1 of the government's financial directions to NHS England 2023/24
[4] NHS England annual report and accounts 2023/24: financial performance note (page 177)

Statement of accounting officer's responsibilities and accountability framework

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

Professor Stephen Powis was the accounting officer for NHS Improvement (being the Monitor and NHS Trust Development Authority legal entities) for the first part of the 2022/23 financial year up to 30 June 2022. On 1 July 2022 Monitor and the NHS Trust Development Authority were abolished and their functions transferred to NHS England. I, as Chief Executive of NHS England, received assurances from Professor Stephen Powis at this date.

NHS trusts

The Secretary of State is responsible for determining, with HM Treasury's approval, the form of accounts each NHS trust must adopt. This is described in the Department of Health and Social Care's Group Accounting Manual (GAM), which is based on HM Treasury's Financial Reporting Manual (FReM). NHS England has set out the responsibilities of each NHS trust accountable officer to ensure:

- there are effective management systems in place to safeguard public funds and assets
- the trust achieves value for money from the resources available to it
- the trust's expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them
- effective and sound financial management systems are in place
- the Trust's annual accounts give a true and fair view.

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

- apply suitable accounting policies consistently
- make reasonable judgements and estimates
- make a statement within the accounts on whether applicable accounting standards have been followed, and to disclose and explain any material departures and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

NHS foundation trusts

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

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

Consolidated NHS provider accounts

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

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

- give a true and fair view of the state of affairs of NHS trusts and foundation trusts collectively as at the end of the financial year and the comprehensive income and expenditure, changes in taxpayers' equity and cash flows for the financial year then ended
- disclose any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

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

Amanda Pritchard
Chief Executive
15 November 2024

Annual governance statement

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

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

(ii) disclosures in local annual governance statements and

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

Scope of responsibility

NHS England's Board is not responsible for the internal control and systems of NHS providers; this is the responsibility of each NHS provider's board.

NHS trusts

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

NHS foundation trusts

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

Purpose of the system of internal control

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

- contributing to the development of guidance to NHS trusts and NHS foundation trusts through the Department of Health and Social Care's (DHSC's) Group Accounting Manual (GAM); this has been approved by HM Treasury

- providing guidance to foundation trusts through the NHS foundation trust annual reporting manual (FT ARM); this has been approved by the Secretary of State
- relying on the external auditors appointed by each NHS trust/NHS foundation trust's council of governors to ensure the truth and fairness of each set of accounts consolidated into these accounts; these auditors have each undertaken an audit in accordance with the Code of audit practice (audit code), issued by the Comptroller and Auditor General, supported by the National Audit Office (NAO)
- appointing the Quality Assurance Directorate of the Institute of Chartered Accountants in England and Wales and Audit Quality Review department of the Financial Reporting Council to review the quality of the work of NHS foundation trust auditors and consider their findings. The audits of NHS trusts are reviewed under similar arrangements by Statute, not overseen by NHS England
- attending the NAO's Local Auditors' Advisory Group and associated technical networks, to which senior representatives from each of the audit suppliers appointed as auditors of NHS providers are invited; the forum members discuss technical audit and accounting issues in the public sector, including those concerning NHS bodies and
- consideration by NHS England's management and by its Audit and Risk Assurance Committee of the consolidated accounts and the processes established to derive them.

Each NHS provider's annual report and accounts includes an AGS for the year ended 31 March 2024. Each individual AGS explains how the accountable/accounting officer has reviewed the effectiveness of internal control during the period and highlights any significant control issues where the risk cannot be effectively controlled.

Timeliness of local and national accounts

In preparing the consolidated provider accounts based on consolidation schedules from NHS providers, we are reliant on each provider submitting their audited annual report and accounts to us. We and the Department of Health and Social Care issue directions to NHS bodies on the timing by which these should be submitted.

There are many reasons why a set of audited accounts for a local NHS body may go beyond the deadline: for example this may reflect illness in the preparer finance team or audit team, or a significant issue may be encountered that takes time to resolve, which may reflect weaknesses in an entity's preparation of its accounts. Auditors need to be able to complete their work independently of outside influence and take the necessary time to ensure their audit opinion is the right one and supported by appropriate audit evidence. It is also important that there is a properly functioning local audit market to allow audited bodies to hold their auditors to account for delivery. We support the Financial Reporting Council's current NHS audit market study which will include examining whether this market is functioning effectively.

The timeline on which these national accounts are finalised depends on both when the deadline for local audited accounts is set, and compliance with that deadline. For many years prior to 2019/20 the local audit deadline in the NHS was around the end of May. The deadline is set in consultation with the audit firms on what they are prepared to sign up to. In recent years the local audit deadline has been around the end of June.

The vast majority of NHS bodies and their auditors have continued to meet the deadline set for submission of audited accounts. We do not have a backlog of previous years' outstanding audits affecting a subsequent year. However the rate of compliance with the audited accounts deadline for providers in 2021/22 showed a significant deterioration compared to historic norms. This improved in 2022/23 and has improved again for 2023/24 but remains below those historic norms. A critical mass of completed local audits for 2023/24 (with respect to national materiality) has been achieved earlier than in 2022/23, but reaching this point has again taken longer than planned. The time taken to resolve cases where the deadline is missed has generally reduced, but this remained elongated in a small number of cases. The accounts for University Hospitals Birmingham NHS Foundation Trust were finalised in October 2024[5]. Other local accounts remained unaudited at the time of finalising disclosures in these accounts as detailed on page 24. Finalising these consolidated accounts was delayed compared to our original plan.

Nonetheless a number of actions have contributed to these consolidated accounts being published earlier this year (November) rather than January as in recent years since 2019/20:

- an early focus on guidance and training to support the NHS finance community on potential challenges; notably the material remeasurement of PFI liabilities
- more proactively monitoring NHS bodies to ensure they had appointed auditors for the financial year in good time
- a rigorous system of monitoring NHS bodies before and after the audited accounts deadline to support them in managing their audited accounts to completion
- prompt escalation of NHS bodies requiring more support to ensure targeted support from the appropriate part of NHS England to bring resolution of issues
- planning the expected timing of audited accounts delivery to work out where alternative assurance may be needed nationally and completing this work at an earlier point than previously and
- constructive working with the National Audit Office (NAO) to assess sources of assurance, including the NAO implementing alternative approaches for gaining

[5] The audited accounts for Northern Care Alliance NHS Foundation Trust were also finalised in October 2024 but this delay was caused by the auditor waiting for assurance from the auditors of the local government pension scheme for which the Trust is an admitted body.

assurance over key balances where local audits are delayed by outstanding local government pensions assurance.

More broadly NHS England continues to work to improve timeliness in financial reporting including:

- encouraging auditors to give clear reporting to audit committees where the preparer's quality of draft accounts or working papers needs to improve
- working closely with NHS bodies to ensure they appoint external auditors in good time, which helps increase the likelihood of deadlines being achieved
- regular engagement with partners including the Ministry of Housing, Communities and Local Government and the Financial Reporting Council on policy matters affecting the broader local audit system: in particular the government's approach of implementing 'backstop' dates to resolve backlogs in local government audits has been done with care to minimise potential adverse impacts on the NHS
- contributing to the Financial Reporting Council's market study into the NHS audit market, including a look at the supply of audit capacity
- working with NHS bodies where financial reporting issues arise to ensure they are able to address findings effectively
- regular engagement with the audit firms and responding to their feedback to continue to strengthen the NHS financial reporting landscape, and working with partners to make sure training and guidance is available for preparers and
- liaising with broader stakeholders on wider matters that can cause delays in NHS accounts, for example sign offs of local government pension scheme audits, which directly affects a handful of NHS providers with a corresponding impact on these consolidated accounts.

NHS England and DHSC have an ambition to return to laying the main national consolidated accounts (being the DHSC group, NHS England group and consolidated provider accounts) before Parliament in advance of the summer Parliamentary recess in July. Achieving this in the years ahead would present challenges for financial reporting in the NHS: it would require the audit community to accept a significantly earlier deadline for audited accounts, better compliance with the deadline by both preparers and auditors, and further streamlining in the national processes for preparation and audit. The forthcoming application of a new auditing standard governing group audits will, from 2024/25, significantly expand the quantum of work the NAO is required to perform in relying on local NHS provider audits. More timely finalisation of this year's accounts will allow important planning work to understand the impact of this on national accounts timelines for 2024/25 and beyond.

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

Regularity

Regularity means the use of public funds complies with the relevant legislation and delegated authorities. Local NHS provider auditors do not issue an opinion on local regularity, but do perform specific procedures as part of their reporting to the NAO. The application of materiality to regularity requires judgement: irregular spending might be material by nature (in a high profile area for example) without the quantum of spend being material. As set out in the statement of accounting officer's responsibilities, NHS England is required to disclose any material irregularity in the consolidated provider accounts. NHS providers generally have broad powers in spending money but we assess overall regularity by:

- reviewing the detail of our oversight and regulatory decisions (these concepts are explained below) to consider whether they highlight any regularity concerns
- confirmation from our regional teams whether they are aware of any irregular activity in providers
- collating any referrals of unlawful expenditure or activity submitted by local auditors (these are commonly termed 'section 30 referrals' and are explained further below)
- considering any fraud investigations known to NHS England
- reviewing the confirmation statements on regularity that each NHS provider chief executive is required to make in their statement of accounting/accountable officer responsibilities
- correlating sources of information on special severance payments and other forms of special payments, where specific controls apply and
- responding to any information provided to the NAO as part of their group audit.

NHS Oversight Framework

The NHS Oversight Framework for 2022/23 continued to apply through 2023/24. It provides the framework for overseeing the delivery of high quality, sustainable care with a focus at both local system and organisational level and identifying potential support needs.

The Framework describes a process to identify where NHS organisations may benefit from or require support to meet the standards required of them in a sustainable way and deliver the overall objectives for the sector in line with the priorities set out in the 2023/24 Operational Planning Guidance and other documents.

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

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

a) objective and measurable eligibility criteria based on performance against the six oversight themes using the relevant oversight metrics (the themes are: (i) quality of care, access and outcomes; (ii) people; (iii) preventing ill-health and reducing inequalities; (iv) leadership and capability; (v) finance and use of resources; (vi) local strategic priorities)

b) additional considerations focused on the assessment of system leadership and behaviours, and improvement capability and capacity.

An NHS trust or foundation trust will be placed in segment three or four where it has been found to have significant support needs that may require formal intervention and mandated support. They will be subject to enhanced direct oversight by NHS England (in partnership with their ICB) and, depending on the nature of the problem(s) identified, additional reporting requirements and financial controls.

While NHS trusts were exempt from the requirement to apply for and hold a licence in 2022/23, NHS England ensured that NHS trusts were treated via equivalent methods to those applied to NHS foundation trusts. This included giving directions where necessary to ensure compliance. NHS trusts were issued licences on 1 April 2023 and from 2023/24 have been subject to the same licence conditions as NHS foundation trusts.

Segmentation of NHS providers is updated regularly. The table below summarises NHS providers' segmentation as at 31 March 2024. A prior year comparative is not provided as this table provides a snapshot at that point in time and the design and application of the Oversight Framework may evolve over time.

	Segmentation at 31 March 2024			
	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector
1	9	20	**29**	14%
2	27	57	**84**	40%
3	23	54	**77**	37%
4	8	12	**20**	9%
Total	**67**	**143**	**210**	

NHS providers in segment 3 or 4

Where an NHS provider is triggering a specific concern, NHS England will work with the ICB to understand why this concern has arisen and if a support need exists. Based on this assessment, NHS England will agree the subsequent level of support that is required. Where there is a need for mandated support by NHS England the provider will be placed into segment 3 or 4, depending on the complexity of the support need.

A segment 3 decision will result in a bespoke support offer led by the NHS England regional team drawing on system and national expertise as required.

Segment 4 decisions are reserved for those trusts experiencing long standing complex issues or serious failures in areas such as quality, safety, leadership, governance or financial plans. A segment 4 decision will always trigger a referral to NHS England's national Recovery Support Programme (RSP). Decisions on referrals into this programme are made by an executive committee of NHS England based on recommendations from Regional Directors or the Care Quality Commission. Where a referral into the RSP for a trust is agreed a dedicated Improvement Director will be appointed to work alongside the Trust leadership as well as the ICB and regional team to oversee the development and delivery of an improvement plan. A diagnostic review will be undertaken to identify underlying drivers that need to be addressed and embed improvement upstream to prevent further deterioration and enable stabilisation.

Enforcement action

Where an NHS provider is in breach of its licence conditions (or where NHS England has reasonable grounds for suspecting a breach), NHS England may also consider the use of its enforcement powers. These powers include, among others, agreeing enforcement undertakings or issuing directions to the provider to secure compliance and ensure the breach does not recur. Details of any enforcement action is publicly available via the Provider Directory on our website.

In exceptional circumstances an NHS trust or NHS foundation trust may be placed in trust special administration. Administration is a regime for ensuring the continuity of essential services in the event of provider financial distress. No trusts or foundation trusts were subject to trust special administration in 2022/23 or 2023/24.

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

Sources of information

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

NHS Oversight Framework segment 3 or 4

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

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

Other significant control issues

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

External auditor's conclusion on use of resources

In addition to the 'true and fair' audit opinion on the accounts, external auditors of NHS trusts and NHS foundation trusts are required to conclude whether the trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Where the auditor identifies significant issues, the auditor reports that they are unable to satisfy themselves that the trust has made these proper arrangements. Such reporting does not imply that the 'true and fair' audit opinion on the provider's accounts is qualified. These conclusions are listed in the table that follows. In each case we summarise if this modification relates to the same matters as the reason for Oversight Framework segmentation as 3 or 4 by NHS England.

Defining a significant internal control issue for this document

Our starting point for this consolidated annual governance statement is where a trust has locally assessed and disclosed a significant internal control issue in its own annual governance statement.

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

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

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

Summary of results

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

	2023/24	2022/23
Number of providers receiving mandated support from NHS England during the year	101	94
Total number of modified conclusions relating to arrangements for securing economy, efficiency and effectiveness in the provider's use of resources	66	63
Number of providers where 'true and fair' audit opinion has been modified (qualified) in respect of inventory counts	0	1
Number of providers where 'true and fair' audit opinion has been modified (qualified) for another reason	0	1
Providers consolidated without an audit report	5	Was 2, now 0

Providers consolidated without an audit report

The consolidated provider accounts for 2022/23 describes how that document was finalised with two providers not having received their audit report. These have now been subsequently received:

- Buckinghamshire Healthcare NHS Trust in March 2024
- East Suffolk and North Essex NHS Foundation Trust in January 2024

The consolidated provider accounts for 2023/24 have been prepared using unaudited information for five providers as the audit reports remained outstanding at the time of finalising these disclosures on 1 November 2024:

Provider	Reason for delay
Barking, Havering and Redbridge University Hospital NHS Trust	In applying IFRS 16 principles to the liability for an arrangement accounted for as a PFI scheme, weaknesses were identified in the previous accounting model. Resolving these issues and applying IFRS 16 principles is not yet complete.
Birmingham Women's and Children's NHS Foundation Trust	The auditor identified concerns around weaknesses in the system of internal control which required further investigation by the Trust.
Croydon Health Services NHS Trust	The audit of the accounts was delayed while the Trust commissioned an external review into issues raised by a third party.
East London NHS Foundation Trust	These accounts were delayed pending the auditor obtaining assurance over local government pensions information. The accounts being delayed is not within the trusts' control.
Humber Teaching NHS Foundation Trust	

More information on the approach taken for finalising these accounts with respect to national materiality is provided in note 32 to the consolidated financial statements.

Modifications of 'true and fair' audit opinion in prior year: University Hospitals of Leicester NHS Trust

The 2022/23 audit opinion for University Hospitals of Leicester NHS Trust was qualified in two respects: evidence for plant and equipment asset existence, and the impact of additional qualifications in previous years' financial statements affecting comparative figures for 2021/22. More detail is provided in the annual governance statement in the consolidated provider accounts for 2022/23 on page 24.

The Trust's financial statements audit opinion for 2023/24 is unmodified and the Trust's audited accounts were submitted in line with the national deadline set by NHS England.

List of providers with matters to report

The table below lists the NHS trusts and NHS foundation trusts for which there are matters to report in the relevant columns. It therefore does not list all NHS providers. Column (3) lists significant internal control issues disclosed in local annual governance statements, excluding matters relating to the same issues as covered by NHS England's mandated support. Therefore, the absence of a tick in this column does not necessarily mean the provider disclosed no significant internal control issues in its local AGS.

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Airedale NHS Foundation Trust					Yes: financial sustainability	
Ashford and St Peter's Hospitals NHS Foundation Trust			Yes: operational performance, CQC rating			
Avon and Wiltshire Mental Health Partnership NHS Trust	Yes (Quality, access & outcomes; people; finance)			Yes		
Barking, Havering and Redbridge University Hospitals NHS Trust	Yes (Quality, access & outcomes; finance; leadership & capability)	✓	These consolidated accounts have been prepared using unaudited financial information for this Trust: see page 24.			
Barnsley Hospital NHS Foundation Trust	Yes (Finance)					
Barts Health NHS Trust			Yes: operational performance; fire regulations compliance; finances; hospital redevelopment			
Birmingham and Solihull Mental Health NHS Foundation Trust	Yes (Quality, access & outcomes; people)		Yes: internal audit conclusions on complaints, emergency preparedness, waiting times, clinical governance, sickness management, disciplinary processes			
Birmingham Community Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes)					
Birmingham Women's and Children's NHS Foundation Trust	Yes (Quality, access & outcomes)		These consolidated accounts have been prepared using unaudited financial information for this Trust: see page 24.			
Black Country Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes; finance; leadership & capability)					

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Blackpool Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: directors turnover; not delivering financial plan; special severance payment approval	Yes (also financial sustainability; governance over special severance payment)		
Bradford Teaching Hospitals NHS Foundation Trust					Yes: CQC undertaking a well-led review	
Buckinghamshire Healthcare NHS Trust	Yes (Quality, access & outcomes; people)		Yes: never events			
Calderdale and Huddersfield NHS Foundation Trust	Yes (Finance)					
Cambridge University Hospitals NHS Foundation Trust			Yes: CQC maternity report; data breaches; urgent care demand and patient flow; impact of industrial action.			
Central London Community Healthcare NHS Trust			Yes: non-executive director succession plans		Yes: Board governance	
Cheshire and Wirral Partnership NHS Foundation Trust					Yes: procurement process compliance	
Cornwall Partnership NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
Countess of Chester Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
County Durham and Darlington NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: internal audit findings on infection control policies, discharge summaries, medical device registers, business continuity plans for electronic patient records			
Coventry and Warwickshire Partnership NHS Trust	Yes (Quality, access & outcomes)					γ
Croydon Health Services NHS Trust			These consolidated accounts have been prepared using unaudited financial information for this Trust: see page 24			
Doncaster and Bassetlaw Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Dorset County Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Dudley Integrated Health and Care NHS Trust	Yes (Finance)					β
East And North Hertfordshire NHS Trust	Yes (Quality, access & outcomes; finance)					
East Cheshire NHS Trust	Yes (Quality, access & outcomes)				Yes: financial sustainability	
East Kent Hospitals University NHS Foundation Trust	Yes (Quality, access & outcomes; finance; people; leadership & capability)	✓		Yes		
East Lancashire Hospitals NHS Trust					Yes: financial sustainability	
East London NHS Foundation Trust			These consolidated accounts have been prepared using unaudited financial information for this Trust: see page 24			
East Midlands Ambulance Service NHS Trust						ε

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
East of England Ambulance Service NHS Trust	Yes (Quality, access & outcomes; finance)	✓ (exited Dec 2023)				
East Sussex Healthcare NHS Trust					Yes: financial sustainability	
Epsom and St Helier University Hospitals NHS Trust					Yes: financial sustainability	
Essex Partnership University NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability)		Yes: finances			
Gateshead Health NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
George Eliot Hospital NHS Trust	Yes (Quality, access & outcomes; finance)					
Gloucestershire Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; people; finance)		Yes: internal audit findings	Yes (also head of internal audit limited opinion)		
Greater Manchester Mental Health NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability)	✓		Yes		
Hampshire Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance; leadership & capability)	✓				
Herefordshire and Worcestershire Health and Care NHS Trust	Yes (Quality, access & outcomes)		Yes: Impact of outage of electronic patient record system	Yes		
Hull University Teaching Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Humber Teaching NHS Foundation Trust			These consolidated accounts have been prepared using unaudited financial information for this Trust: see page 24			
Isle of Wight NHS Trust	Yes (Finance)	✓				
Kettering General Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes (also financial reporting)		
King's College Hospital NHS Foundation Trust	Yes (Leadership & capability; finance)	No (entered April 2024)	Yes: head of internal audit opinion partial assurance	Yes		
Lancashire and South Cumbria NHS Foundation Trust	Yes (Quality, access & outcomes)					
Lancashire Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Lewisham and Greenwich NHS Trust	Yes (Quality, access & outcomes)					
Liverpool University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓ (exited Nov 2023)	Yes: governance structures; culture improvements	Yes		
Liverpool Women's NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: maternal deaths and governance findings		Yes: financial sustainability	
Maidstone And Tunbridge Wells NHS Trust			Yes: CQC warning notice; maternity services rating; CQC improvement notice; data breach		Yes financial sustainability	
Manchester University NHS Foundation Trust	Yes (Quality, access & outcomes)				Yes financial sustainability	
Medway NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓		Yes		
Mid and South Essex NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	No (entered April 2024)	Yes: temporary staff pay controls	Yes		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Moorfields Eye Hospital NHS Foundation Trust					Yes: exit package governance	
Norfolk and Norwich University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes)					
Norfolk and Suffolk NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability)	✓		Yes		
North Bristol NHS Trust	Yes (Quality, access & outcomes; people; finance)					
North Cumbria Integrated Care NHS Foundation Trust	Yes (Quality, access & outcomes; finance)		Yes: digital project controls, business continuity plans, theatre stock, patient monies, safeguarding, cyber security, IT supplier management.	Yes		
North East Ambulance Service NHS Foundation Trust	Yes (Quality, access & outcomes)				Yes: 'Well-led' action plan delivery	δ
North Middlesex University Hospital NHS Trust	Yes (Quality, access & outcomes)					
North West Anglia NHS Foundation Trust	Yes (Quality, access & outcomes)					
Northampton General Hospital NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
Northern Care Alliance NHS Foundation Trust	Yes (Quality, access & outcomes)				Yes: financial sustainability	
Northern Lincolnshire and Goole NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓ (exited May 2023)	Yes: mortuary security breach			
Nottingham University Hospitals NHS Trust	Yes (Quality, access & outcomes; finance; leadership & capability)	✓		Yes		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Nottinghamshire Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes)	✓	Yes: finances	Yes (also financial sustainability)		
Portsmouth Hospitals University NHS Trust	Yes (Quality, access & outcomes; finance)	✓				
Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Queen Victoria Hospital NHS Foundation Trust	Yes (Leadership & capability)					
Rotherham Doncaster and South Humber NHS Foundation Trust					Yes: strategic risk management; action on audit recommendations	
Royal Berkshire NHS Foundation Trust					Yes financial sustainability	
Royal Cornwall Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
Royal Devon University Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓				
Royal Free London NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Royal National Orthopaedic Hospital NHS Trust					Yes :Financial Sustainability	
Royal United Hospitals Bath NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Salisbury NHS Foundation Trust	Yes (Quality, access & outcomes; people; finance)			Yes		
Sandwell And West Birmingham Hospitals NHS Trust	Yes (Quality, access & outcomes; finance; leadership & capability)			Yes		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Sheffield Health and Social Care NHS Foundation Trust	Yes (Quality, access & outcomes)					
Sheffield Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: medical workforce capacity			
Shropshire Community Health NHS Trust	Yes (Quality, access & outcomes; people; leadership & capability)					
Solent NHS Trust	Yes (Finance)	✓				
Somerset NHS Foundation Trust			Yes: CQC inspection of maternity		Yes: Governance	
South Central Ambulance Service NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability; finance)	✓		Yes		
South East Coast Ambulance Service NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability; people; finance)	✓	Yes: HR Controls, IT resilience	Yes		
South Tees Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
South Western Ambulance Service NHS Foundation Trust	Yes (Quality, access & outcomes; people)					
Southern Health NHS Foundation Trust	Yes (Finance)	✓				
St George's University Hospitals NHS Foundation Trust					Yes: financial sustainability	
Stockport NHS Foundation Trust	Yes (Quality, access & outcomes); finance			Yes		
Surrey And Sussex Healthcare NHS Trust			Yes: operational performance, finances			

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Tameside and Glossop Integrated Care NHS Foundation Trust					Yes: financial sustainability	
Tavistock and Portman NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability; finance)		Yes: internal audit findings on data security self assessment	Yes		
Tees, Esk and Wear Valleys NHS Foundation Trust	Yes (Quality, access & outcomes)					
The Dudley Group NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
The Hillingdon Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓ (exited Oct 2023)	Yes: arrangements for financial reporting	Yes (also accounts preparation)		
The Mid Yorkshire Hospitals NHS Trust	Yes (Finance)					
The Newcastle Upon Tyne Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
The Princess Alexandra Hospital NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: quality and safety of estate	Yes		
The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance; leadership & capability)					
The Rotherham NHS Foundation Trust	Yes (Finance)					
The Royal Wolverhampton NHS Trust	Yes (Quality, access & outcomes; finance)					
The Shrewsbury and Telford Hospital NHS Trust	Yes (Quality, access & outcomes; finance)	✓				
Torbay and South Devon NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓		Yes		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
United Lincolnshire Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: recruitment and retention of staff	Yes		
University Hospital Southampton NHS Foundation Trust	Yes (Finance)	✓		Yes (also accounts preparation)		
University Hospitals Birmingham NHS Foundation Trust	Yes (Quality, access & outcomes; leadership & capability; people)		Yes: budgetary control to support statutory reporting; financial risk management and internal control	Yes (also capital accounting; statutory financial reporting)		
University Hospitals Bristol and Weston NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
University Hospitals Coventry And Warwickshire NHS Trust	Yes (Quality, access & outcomes)					
University Hospitals Dorset NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
University Hospitals of Derby and Burton NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		δ
University Hospitals of Leicester NHS Trust	Yes (Finance)	✓		Yes		
University Hospitals of Morecambe Bay NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	✓ (exited Oct 2023)		Yes		
University Hospitals of North Midlands NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
University Hospitals Plymouth NHS Trust	Yes (Quality, access & outcomes; finance)	✓		Yes		
University Hospitals Sussex NHS Foundation Trust	Yes (Quality, access & outcomes)			Yes (also financial sustainability)		

	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in recovery support programme during the year	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Other notes
Walsall Healthcare NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
Warrington and Halton Teaching Hospitals NHS Foundation Trust					Yes: financial sustainability	
West Suffolk NHS Foundation Trust	Yes (Quality, access & outcomes; finance)		Yes: RAAC building issues with main hospital site			
Whittington Health NHS Trust					Yes: financial Sustainability	
Wirral University Teaching Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Worcestershire Acute Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: internal audit findings on theatre governance, complaints handling, consultant job planning, budget setting, governance over locum doctors	Yes (also PFI contract monitoring; workforce strategy)		
Wye Valley NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
York and Scarborough Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
Totals	**101**	**25**	**30**	**44 ^**	**22 ^**	**-**

*** Approach for column (1):**

- The explanation for each provider shows the support offerings for each provider in segment 3 or 4 at any point during the year. In some cases a trust may receive a combination of mandated and targeted support with all such support needs included here.
- In many cases our support also relates to the leadership and capability theme in the Oversight Framework. Where this is the case the underlying issues will usually relate to other themes so this is not always additionally listed here, unless it is a primary matter.

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

β 1 provider where the auditor included an 'emphasis of matter' relating to the organisation demising or significantly changing its organisational form with services transferring to or from other trusts, either during the reporting year or anticipated in the future

γ 1 provider where the auditor included an 'emphasis of matter' for other reasons. Further information is available in the audit report included within the individual trust accounts.

δ 2 providers with modification to audit report relating to remuneration report. Further information is available in the audit report included within the individual trust accounts.

ε 1 provider where the auditor has submitted a referral under section 30 of the Local Audit and Accountability Act 2014 for a reason other than compliance with the breakeven duty for NHS trusts. Further information is available in the audit report included within the individual trust accounts.

Note on totals:

^ No audit report has been issued for Barking, Havering and Redbridge University Hospital NHS Trust, Birmingham Women's and Children's NHS Foundation Trust, Croydon Health Services NHS Trust, East London NHS Foundation Trust and Humber Teaching NHS Foundation Trust at the time of finalising the disclosures in these consolidated accounts on 1 November 2024: see page 24 above and note 32 to the financial statements.

Special severance payments

NHS providers are required to obtain approval in advance of making non-contractual departure payments (termed 'special severance payments') to employees. At the time of finalising the disclosures in these consolidated provider accounts on 1 November 2024, there are five outstanding cases where payments were made without prior authorisation. These have been submitted to HM Treasury retrospectively and HM Treasury's view is awaited. These cases, while currently irregular, have been judged as individually and collectively not material by nature to these consolidated accounts. The Comptroller and Auditor General has commented on this area in his Report on page 44. We will continue to reinforce the requirement that such payments be approved by HM Treasury in advance of offers being made.

Auditor referrals of matters arising

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

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

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

39 NHS trusts (2022/23: 38[1]) and no NHS foundation trusts (2021/22: none) were subject to such referrals in 2023/24. 38 of these referrals relate to a failure by the trust to meet the statutory breakeven duty target (2022/23: all 38). This requires an NHS trust to achieve a cumulative breakeven over a three or five-year period. The underlying issues in trust finances are disclosed as part of the detail on significant internal control issues presented above. The statutory breakeven duty does not apply to NHS foundation trusts. The Trust with a referral in 2023/24 for a different matter is noted in the detailed table above.

Amanda Pritchard
Chief Executive
15 November 2024

[1] This figure was 37 at the time of finalising the consolidated provider accounts for 2022/23. The auditor subsequently submitted a section 30 referral relating to the NHS trust breakeven duty at Buckinghamshire Healthcare NHS Trust which is referenced in the 2022/23 audit report, making this total now 38.

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

Opinion on consolidated financial statements

I certify that I have audited the Consolidated NHS Provider Accounts for the year ended 31 March 2024 under the National Health Service Act 2006.

The Consolidated NHS Provider Accounts comprise the:

- Consolidated Statement of Financial Position as at 31 March 2024;
- Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of affairs of NHS trusts and NHS foundation trusts, taken collectively, as at 31 March 2024 and of their deficit for the year then ended; and
- have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of NHS England and of NHS trusts and NHS foundation trusts, taken collectively, in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that NHS England's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on NHS trusts' and NHS foundation trusts' collective ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Consolidated NHS Provider Accounts is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Consolidated NHS Provider Accounts but does not include the consolidated financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the introduction, review of financial performance of NHS providers, statement of accounting officer's responsibilities and accountability framework, and the annual governance statement for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of NHS trusts and NHS foundation trusts, taken collectively, and their environment obtained in the course of the audit, I have not identified material misstatements in the introduction, review of financial performance of NHS providers, statement of

accounting officer's responsibilities and accountability framework, and the annual governance statement.

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

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the statement of accounting officer's responsibilities and accountability framework, the accounting officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within NHS England (and NHS trusts and NHS foundation trusts) from whom the auditor determines it necessary to obtain audit evidence;
- preparing the information which comprises the introduction, review of financial performance of NHS providers, the statement of accounting officer's responsibilities and accountability framework and the annual governance statement in accordance with the National Health Service Act 2006, and with the directions made thereunder by the Secretary of State;
- the preparation of the consolidated financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the accounting officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing NHS trusts' and NHS foundation trusts' collective ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting officer anticipates that the services provided by NHS trusts and NHS foundation trusts will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of NHS trusts' and NHS foundation trusts' accounting policies and performance incentives;
- inquired of management, NHS England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to NHS England's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected, or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including NHS England's controls relating to NHS England's compliance with the National Health Service Act 2006 and Managing Public Money
- discussed with the engagement team regarding how and where fraud might occur in the consolidated financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within NHS trusts and NHS foundation trusts for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

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

In addition, I considered regulations and regularity relating to exit packages and, in particular, special severance payments, as I identified the completeness and regularity of special severance payments as a significant risk.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and enquiring with the auditors of NHS trusts and NHS foundation trusts about the findings of their audits with respect to management override of control; and
- in addressing the risk of fraud in revenue recognition, I notified the auditors of NHS trusts and NHS foundation trusts of the need to consider the presumed risk of fraud in revenue recognition and enquired with them around the findings of their audits with respect to fraud in revenue recognition.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Gareth Davies
Comptroller and Auditor General

22 November 2024

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

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The National Health Service Act 2006 (the "2006 Act") requires NHS England to prepare a Consolidated NHS Provider Accounts ("CPA") for each financial year. The CPA is a consolidation of the 211 NHS trusts and NHS foundation trusts ("NHS providers") in England. The CPA is in turn consolidated into the Department of Health and Social Care (DHSC) group accounts. I consider the CPA to be a significant component of DHSC and my audit of the CPA must be complete before I complete my audit of DHSC.

2. I am required to examine, certify, and report on the CPA. I provide an opinion on whether the CPA gives a "true and fair" view of the finances of NHS providers, taken collectively. I also provide an opinion on whether the transactions recorded in the CPA have been applied to the purposes intended by Parliament and whether they conform to the authorities which govern them ("regularity").

3. In this report I set out my observations on the performance of NHS providers in delivering accounts to support the timely production of the CPA (and in turn DHSC's group accounts), given significant delays experienced in 2022-23, and on the regularity framework for the CPA and NHS providers, including some special severance payments made by NHS providers that are currently irregular. In addition, I highlight the current state of NHS financial sustainability and refer to a more detailed report I published in July 2024 on NHS financial management and sustainability.

Delays with NHS providers producing audited accounts

4. **NHS providers are audited by a number of different audit firms.** NHS providers are responsible for appointing their external auditors ("local auditors"). Local auditors must comply with the Code of Audit Practice ("the Code")[2] published in April 2020 for 2023-24 audits of NHS providers. Under the Local Audit and Accountability Act 2014 (the "2014 Act"), I am responsible for the preparation, publication, and maintenance of the Code. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the 2014 Act.

5. **The Code stresses the need for local auditors to report on a timely basis.** Section 1.19 of the Code requires local auditors to report on a timely basis. Timely reporting includes producing audit reports in time, insofar as the auditor can do so under auditing standards, to allow local bodies to comply with the requirements placed on them to publish their audited financial statements. It also means ensuring that when matters of concern arise during the audit, the auditor raises them promptly with the body and considers whether the matter needs to be brought to public attention at the appropriate time.

[2] https://www.nao.org.uk/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

6. **In 2022-23 there were significant delays in NHS providers finalising their accounts.** 163 NHS provider audits were completed by 30 June 2023 (the deadline NHS England set for NHS provider accounts to be audited in 2022-23), meaning just over three quarters of NHS providers achieved the target date set by NHS England. By 31 October 2023, 203 (95.8%) NHS provider audits were completed. This was the latest practical date to enable certification of the CPA and DHSC annual report and accounts by 30 November 2023, which was the initial agreed certification date for those accounts. The CPA 2022-23 and the DHSC annual report and accounts 2022-23 were not certified until 22 January 2024.

7. **The timetable set by NHS England for the CPA 2023-24 required local auditors to complete the statutory audits of NHS providers by 28 June 2024.** This deadline was set to enable NHS England to produce the CPA in good time, to allow DHSC to have its group accounts certified and laid in Parliament before the Christmas Parliamentary Recess 2024, thus enabling DHSC to publish its 2023-24 annual report and accounts a month earlier than in 2022-23. At a Public Accounts Committee hearing on 13 March 2024, regarding the timeliness of the DHSC annual report and accounts 2022-23, DHSC's stated aspiration was "to bring it (laying of the annual report and accounts) forward by at least a month each year"[3]. Before the Covid-19 pandemic, DHSC and NHS England (covering both the NHS England group account and the CPA) routinely laid their annual reports and accounts in Parliament before the Parliamentary summer recess. The last time this happened was for the 2018-19 accounts.

8. **Of the 211 NHS providers, 173 had their 2023-24 annual reports and accounts audited by 28 June 2024.** 82.0% of NHS providers achieved the target date set by NHS England. By 31 July 2024, 197 (93.4%) NHS provider audits were completed, and this number rose to 204 (96.7%) by 30 September 2024. This was the latest practical date to enable certification of the CPA by 31 October 2024, which was the initial planned certification date.

9. **At the point NHS England finalised the CPA, five NHS provider audits remained outstanding, and these entities account for material transactions and balances in the CPA.** By 31 October 2024, 206 (97.6%) NHS provider audits were completed, with the remaining five audits outstanding as the CPA was finalised by NHS England. NHS England has had to perform alternative procedures to obtain sufficient assurance that the material transactions and balances in the outstanding NHS providers are not materially misstated, in the context of the CPA. My staff have reviewed the procedures performed by NHS England and are content that in the context of the CPA, the results are sufficient and appropriate. I have therefore issued a clean true and fair audit opinion in respect of the CPA 2023-24. Note 32 to the CPA provides details of the transactions and balances relating to these five NHS providers.

10. **NHS England recognises the risks of failure to submit audited accounts in accordance with the timetable and has been proactive in using its influence to support NHS providers and local auditors with timely delivery.** As set out in the annual governance statement (on pages 17 to 19), NHS England demonstrates a clear understanding of the risks around timeliness of audited NHS provider annual reports and accounts, including the delays this has caused to CPA certification. NHS England has set out the range of interventions it has used to support NHS providers and local auditors to try to accelerate the audit of NHS provider accounts. This has helped enable NHS England to

[3] https://committees.parliament.uk/oralevidence/14468/pdf/ (Q104)

finalise the CPA in November 2024, over two months earlier than has been the case for the last four years.

11. **In 2024-25 NHS England should continue to proactively monitor audit progress of NHS provider accounts.** NHS England has been proactive in 2023-24 in monitoring the progress of late NHS provider accounts, including engaging with the NHS providers, local auditors, my staff, HM Treasury and the Financial Reporting Council (which regulates local audit firms). NHS England continues to be concerned about the capacity of local auditors to bring forward certification to enable the CPA, and hence DHSC, to lay their annual reports and accounts in Parliament significantly earlier than in 2023-24, while noting publication has been brought forward considerably compared to the last four years.

12. **I have concerns given the wider local audit challenges set out in my report, Timeliness of local auditor reporting on local government in England.**[4] There could be some risk in the delivery of 2024-25 NHS local audits due to the wider local audit system issues and significant delays in local government audits as the auditors work to clear this backlog. The Ministry of Housing, Communities and Local Government has issued amended regulations[5] to introduce statutory deadlines for publication of local government audited accounts, which is intended to work alongside a new Code which I have developed and is intended to support measures to address the backlog.

Regularity framework for the CPA and NHS providers

13. **Under the National Health Service Act 2006, NHS England is required to produce the CPA.** This Act also requires that I examine, certify and report on the CPA. I am required to give a regularity opinion on the CPA. In the terms of my engagement with NHS England, as well as providing an opinion on whether the CPA gives a true and fair view and have been properly prepared in accordance with the Secretary of State's directions, I also confirm I will provide a regularity opinion, and report on whether, in my opinion, in all material respects, the expenditure and income presented in the CPA have been applied to the purposes intended by Parliament and whether the financial transactions conform to the authorities which govern them.

14. **The auditors of NHS providers do not provide a regularity opinion on the accounts of NHS trusts or NHS foundation trusts.** This is in contrast with section 21 of the 2014 Act[6] which does require the auditors of Integrated Care Boards ((ICBs) which consolidate into the NHS England group accounts) to provide a regularity opinion. Despite there not being a requirement for NHS providers to have a regularity opinion, the accounting officers of NHS foundation trusts do have a responsibility for the propriety and regularity of public finances as set out in the NHS Foundation Trust Accounting Officer Memorandum issued by NHS England. The directors of NHS trusts are responsible under the National Health Service Act 2006 for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and the accountable officers of NHS trusts have a responsibility for the propriety and regularity of public finances as set out in the Accountable Officer Memorandum issued to NHS trust chief executives by NHS England on their appointment. My staff liaise with the local auditors of NHS providers to

[4] https://www.nao.org.uk/wp-content/uploads/2023/01/progress-update-timeliness-of-local-auditor-reporting.pdf
[5] https://www.legislation.gov.uk/uksi/2024/907/made
[6] https://www.legislation.gov.uk/ukpga/2014/2/section/21

ensure they provide me with sufficient and appropriate evidence to support my CPA regularity opinion.

Special severance payments

15. **Special severance payments are paid to employees outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract.** Managing Public Money[7] ("MPM") confirms that "Special severance payments when staff leave public service employment should be exceptional. They always require HM Treasury approval because they are usually novel, contentious and potentially repercussive. So departments should always consult the HM Treasury in advance when considering a special severance payment." MPM is clear that HM Treasury approval is required for all special severance payments, regardless of value, and that HM Treasury approval should be sought before any offers, whether oral or in writing, are made. The DHSC Group Accounting Manual (paragraph 2.85)[8] confirms that all DHSC group bodies must follow MPM.

16. **NHS providers made 51 special severance payments, at a cost of £916,000 in 2023-24. Five of these special severance payments have not been approved by HM Treasury and are therefore currently irregular.** HM Treasury is currently considering whether to grant retrospective approval of these five special severance payments, which totalled £180,868. While most NHS providers follow the correct procedures when proposing to enter into a special severance payment arrangement, some NHS providers are not following the requirements set by HM Treasury. The five unapproved special severance payments were made by Ashford and St Peter's Hospital NHS Foundation Trust, Lincolnshire Community Health Services NHS Trust, Nottinghamshire Healthcare NHS Foundation Trust (this trust made two unapproved special severance payments) and Kent and Medway NHS and Social Care Partnership NHS Trust.

17. **I have decided not to qualify my regularity opinion in respect of the five unapproved special severance payments.** These special severance payments are not material by value to CPA. I have concluded they are not material by their nature and have therefore not qualified my regularity opinion in respect of these payments. NHS England should reiterate in guidance to the NHS provider sector on how the relevant principles of MPM apply to both NHS trusts and NHS foundation trusts and reiterate that approval for special severance payments should be sought from HM Treasury before any offers are made to staff. NHS England should ensure its regional teams, who are often the first point of contact for NHS providers, are also aware of MPM requirements. NHS England should also ensure Human Resources (HR) teams within NHS England regions and NHS providers are aware of MPM requirements regarding special severance payments and that these HR personnel are involved in discussions and negotiations that may lead to special severance payments being made.

[7] https://nationalauditoffice.sharepoint.com/sites/FAServiceLine/Guidance/Managing%20Public%20Money%20with%20annexes.pdf
[8] https://assets.publishing.service.gov.uk/media/660beeb6fb0f770011ec6683/Group_Accounting_Manual_2023_to_2024_2April2024.pdf

Financial sustainability in the NHS

18. **On 23 July 2024, I published a report on *NHS Financial Management and Sustainability*[9], highlighting the unprecedented scale of challenges facing the NHS today and in the years ahead.** I reported that the NHS's financial position is worsening because of a combination of long-standing and recent issues, including failure to invest in the NHS estate, inflationary pressures, and the cost of post-pandemic recovery. Many NHS bodies failed to break even in both 2022-23 and 2023-24.

19. **The overall financial performance of the NHS provider sector, together with the NHS England group, will be reported in the DHSC annual report and accounts 2023-24, when it is published shortly.** I will comment on this in my report on the DHSC annual report and accounts 2023-24.

Gareth Davies
Comptroller and Auditor General

22 November 2024

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[9] https://www.nao.org.uk/wp-content/uploads/2024/07/nhs-financial-management-and-sustainability.pdf

Consolidated statement of comprehensive income for the year ended 31 March 2024

	Note	2023/24 Before revaluations, impairments and transfers £m	2023/24 Revaluations, impairments and transfers £m	2023/24 After revaluations, impairments and transfers £m	2022/23 Before revaluations, impairments and transfers £m	2022/23 Revaluations, impairments and transfers £m	2022/23 After revaluations, impairments and transfers £m
Operating income from patient care activities	3	119,657	-	119,657	112,094	-	112,094
Other operating income	4	9,254	-	9,254	9,108	-	9,108
Total operating income		**128,911**	**-**	**128,911**	**121,202**	**-**	**121,202**
Operating expenses	7, 8	(128,375)	(2,188)	(130,563)	(119,942)	(1,054)	(120,996)
Operating surplus/(deficit)		**536**	**(2,188)**	**(1,652)**	**1,260**	**(1,054)**	**206**
Finance income		674	-	674	312	-	312
Finance expenses	11	(2,459)	-	(2,459)	(1,028)	-	(1,028)
PDC dividends payable		(1,027)	-	(1,027)	(1,041)	-	(1,041)
Net finance costs		**(2,812)**	**-**	**(2,812)**	**(1,757)**	**-**	**(1,757)**
Other gains / (losses)	12	(39)	-	(39)	16	-	16
Share of profits / (losses) of joint ventures / associates		19	-	19	35	-	35
Gains arising from transfers by absorption	31	-	27	27	1	-	1
Losses arising from transfers by absorption	31	-	(4)	(4)	(1)	(4)	(5)
Corporation tax expense		(16)	-	(16)	(11)	-	(11)
Surplus/(deficit) for the year		**(2,312)**	**(2,165)**	**(4,477)**	**(457)**	**(1,058)**	**(1,515)**
Other comprehensive income / (expenditure) (OCI)							
Will not be reclassified to income and expenditure:							
Net impairments charged to the revaluation reserve	10	-	(1,451)	(1,451)	-	(518)	(518)
Revaluations	10	-	1,197	1,197	-	2,431	2,431
Fair value gains/(losses) on equity instruments designated at fair value through OCI		2	-	2	(1)	-	(1)
Gains arising from transfers by modified absorption	31	-	-	-	-	23	23
Other OCI movements		(11)	-	(11)	51	-	51
May be reclassified to income and expenditure when certain conditions are met:							
Fair value gains / (losses) on financial assets mandated at fair value through OCI		3	-	3	(3)	-	(3)
Other comprehensive income / (expenditure)		**(6)**	**(254)**	**(260)**	**47**	**1,936**	**1,983**
Total comprehensive income / (expenditure) for the period		**(2,318)**	**(2,419)**	**(4,737)**	**(410)**	**878**	**468**

Consolidated statement of financial position as at 31 March 2024

	Note	31 March 2024 £m	31 March 2023 £m
Non-current assets			
Intangible assets	13	2,215	2,116
Property, plant and equipment	14	60,464	58,753
Right of use assets	15	5,589	5,896
Investment property		254	213
Investments in joint ventures and associates		167	182
Other financial assets		205	207
Receivables	17	684	659
Other assets		27	22
Total non-current assets		**69,605**	**68,048**
Current assets			
Inventories	16	1,459	1,374
Receivables	17	5,572	6,874
Other financial assets		128	25
Non-current assets held for sale and assets in disposal groups		56	44
Cash and cash equivalents	18.1	10,802	12,846
Total current assets		**18,017**	**21,163**
Current liabilities			
Trade and other payables	19	(15,528)	(17,669)
Borrowings	21	(1,719)	(1,380)
Other financial liabilities		(1)	(1)
Provisions	22	(815)	(760)
Other liabilities	20	(1,698)	(1,861)
Total current liabilities		**(19,761)**	**(21,671)**
Total assets less current liabilities		**67,861**	**67,540**
Non-current liabilities			
Trade and other payables	19	(79)	(32)
Borrowings	21	(20,417)	(14,759)
Other financial liabilities		(1)	(1)
Provisions	22	(699)	(791)
Other liabilities	20	(245)	(217)
Total non-current liabilities		**(21,441)**	**(15,800)**
Total assets employed		**46,420**	**51,740**
Financed by			
Public dividend capital		56,040	51,441
Revaluation reserve		11,722	12,098
Other reserves		170	154
Income and expenditure reserve		(21,776)	(12,301)
NHS charitable fund reserves	28	264	348
Total taxpayers' equity		**46,420**	**51,740**

The accompanying notes are an integral part of these accounts. They are presented on pages 55 to 112.

Amanda Pritchard
Accounting Officer
15 November 2024

Consolidated statement of changes in equity for the year ended 31 March 2024

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2023 - brought forward		**51,441**	**12,098**	**154**	**(12,301)**	**348**	**51,740**
Application of IFRS 16 measurement principles to PFI liabilities on 1 April 2023	25.4				(5,345)		**(5,345)**
Taxpayers' and others' equity at 1 April 2023 - after application of IFRS 16 measurement principles to PFI liabilities		**51,441**	**12,098**	**154**	**(17,646)**	**348**	**46,395**
Surplus / (deficit) for the year		-	-	1	(4,422)	(56)	**(4,477)**
Transfers by absorption: transfers between reserves	31	-	6	-	(3)	(3)	**-**
Adjustments to prior period accounted for in-year*		-	36	(3)	(96)	(2)	**(65)**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(23)	-	23	1	**1**
Other transfers between reserves		-	(106)	13	93	-	**-**
Impairments	10	-	(1,451)	-	-	-	**(1,451)**
Revaluations	10	-	1,197	-	-	-	**1,197**
Transfer to income and expenditure reserve on disposal of assets		-	(34)	-	34	-	**-**
Fair value gains / (losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	3	**3**
Fair value gains / (losses) on equity instruments designated at fair value through OCI		-	-	2	-	-	**2**
Other recognised gains and losses		-	-	-	7	-	**7**
Remeasurements of the defined net benefit pension scheme liability/asset		-	-	3	(9)	-	**(6)**
Public dividend capital received		4,880	-	-	-	-	**4,880**
Public dividend capital repaid		(54)	-	-	-	-	**(54)**
Public dividend capital written off		(227)	-	-	227	-	**-**
Other reserve movements**		-	(1)	-	16	(27)	**(12)**
Taxpayers' and others' equity at 31 March 2024		**56,040**	**11,722**	**170**	**(21,776)**	**264**	**46,420**

* These adjustments reflect local NHS providers' adjustments to prior year reserves. The aggregated adjustments are not considered material to the consolidated provider accounts and so prior year balances have not been restated.

** Other reserve movements includes a transfer between charitable funds and NHS provider income and expenditure reserves representing a transfer of resources eliminated from income and expenditure on consolidation.

Consolidated statement of changes in equity for the year ended 31 March 2023

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2022		**47,969**	**10,340**	**122**	**(11,279)**	**352**	**47,504**
Implementation of IFRS 16 on 1 April 2022		**-**	**-**	**-**	**244**	**-**	**244**
Taxpayers' and others' equity at 1 April 2022 - after implementation of IFRS 16		**47,969**	**10,340**	**122**	**(11,035)**	**352**	**47,748**
Surplus / (deficit) for the year		-	-	-	(1,538)	23	**(1,515)**
Gain / (loss) arising from transfers by modified absorption	31	-	-	-	23	-	**23**
Transfers by absorption: transfers between reserves	31	-	9	-	(9)	-	**-**
Adjustments to prior period accounted for in-year*		-	25	-	26	1	**52**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(17)	-	17	-	**-**
Other transfers between reserves		-	(111)	12	99	-	**-**
Impairments	10	-	(518)	-	-	-	**(518)**
Revaluations	10	-	2,431	-	-	-	**2,431**
Transfer to income and expenditure reserve on disposal of assets		-	(54)	-	54	-	**-**
Fair value gains / (losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	(3)	**(3)**
Fair value gains / (losses) on equity instruments designated at fair value through OCI		-	-	(1)	-	-	**(1)**
Other recognised gains and losses		-	(1)	-	(18)	-	**(19)**
Remeasurements of the defined net benefit pension scheme liability / asset		-	-	21	50	-	**71**
Public dividend capital received		3,497	-	-	-	-	**3,497**
Public dividend capital repaid		(25)	-	-	-	-	**(25)**
Other reserve movements**		-	(6)	-	30	(25)	**(1)**
Taxpayers' and others' equity at 31 March 2023		**51,441**	**12,098**	**154**	**(12,301)**	**348**	**51,740**

* These adjustments reflect local NHS providers' adjustments to prior year reserves. The aggregated adjustments were not considered material to the consolidated provider accounts in 2022/23 and so prior year balances were not restated.

** Other reserve movements includes a transfers between charitable funds and NHS provider income and expenditure reserves representing a transfer of resources eliminated from income and expenditure on consolidation.

Information on reserves

Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of an NHS trust, or predecessor NHS trust where PDC is recognised by a foundation trust. Additional PDC may also be issued to NHS providers by the Department of Health and Social Care to fund capital investment or support operating cash flows. A charge, reflecting the cost of capital utilised by an NHS provider, is payable to the Department of Health and Social Care as the PDC dividend.

Revaluation reserve
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are reversed in operating expenses. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Other reserves
This reserve reflects balances formed on the creation of predecessor NHS bodies, and in some historic mergers before the use of transfer by absorption. Other reserves also include non-controlling interests. Non-controlling interests represent the equity in a subsidiary of an NHS provider which is not attributable, directly or indirectly, to the NHS provider.

Income and expenditure reserve
The balance of this reserve represents the accumulated surpluses and deficits of NHS providers.

NHS charitable funds reserves
This balance represents the ring-fenced funds held by the NHS charitable funds consolidated within these financial statements. These reserves are classified as restricted or unrestricted and a breakdown is provided in note 28.

Consolidated statement of cash flows for the year ended 31 March 2024

	Note	2023/24 £m	2022/23 £m
Cash flows from operating activities			
Operating surplus / (deficit)		(1,652)	206
Non-cash income and expense:			
Depreciation and amortisation	7.1	4,323	4,024
Net impairments	10	2,188	1,054
Donations / grants credited to income	4	(354)	(407)
Non-cash movements in on-SoFP pension liability		(1)	5
(Increase) / decrease in receivables and other assets		1,384	(2,808)
(Increase) in inventories	16	(85)	(138)
Increase / (decrease) in payables and other liabilities		(2,364)	2,258
Increase / (decrease) in provisions		(70)	(276)
Corporation tax (paid)		(9)	(9)
Other movements in operating cash flows		(57)	5
Net cash generated from operating activities		**3,303**	**3,914**
Cash flows from investing activities			
Interest received		661	291
Purchase of financial assets/investments		(27)	(28)
Sale of financial assets/investments		57	5
Purchase of intangible assets		(523)	(527)
Sales of intangible assets		4	-
Purchase of property, plant, equipment and investment property		(6,959)	(7,015)
Sales of property, plant, equipment and investment property		130	128
Initial direct costs or up front payments for right of use assets		(14)	(3)
Receipt of cash donations to purchase capital assets		309	359
Other movements in investing cash flows		(44)	9
Net cash generated from / (used in) investing activities		**(6,406)**	**(6,781)**
Cash flows from financing activities			
Public dividend capital received		4,880	3,497
Public dividend capital repaid		(54)	(25)
Receipt of loans from the Department of Health and Social Care	21.1	41	85
Repayment of loans from the Department of Health and Social Care	21.1	(208)	(252)
Receipt of other loans	21.1	16	38
Repayment of other loans	21.1	(43)	(46)
Capital element of lease liability repayments	21.1	(813)	(791)
Capital element of PFI and other service concession payments	21.1	(621)	(338)
Interest element of lease liability repayments	21.1	(93)	(72)
Interest paid on PFI and other service concession obligations		(756)	(876)
Other interest paid		(67)	(70)
PDC dividend (paid)		(1,132)	(1,017)
Other movements in financing cash flow		6	-
Net cash generated from financing activities		**1,156**	**133**
Increase / (decrease) in cash and cash equivalents		**(1,947)**	**(2,734)**
Cash and cash equivalents at 1 April		12,846	15,579
Cash and cash equivalents transferred under absorption accounting	31	(3)	-
Adjustments to prior period accounted for in year	18.1	(94)	1
Cash and cash equivalents at 31 March	18.1	**10,802**	**12,846**

Total cash and cash equivalents is reconciled to the consolidated statement of financial position in note 18.1

Notes to the financial statements

Note 1 Accounting policies and other information

Basis of preparation

Paragraph 1 of Section 65Z4 of the National Health Service Act 2006 (as inserted by Section 14 of the Health and Care Act 2022) requires NHS England to prepare a set of accounts that consolidates the annual accounts of all NHS trusts and NHS foundation trusts for each financial year. This set of accounts is termed the 'consolidated provider accounts' and is prepared in accordance with directions issued by the Secretary of State. In line with those directions, these accounts have been prepared in accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) 2023/24 and the HM Treasury Financial Reporting Manual (FReM) in relevant respects. 'NHS providers' is used as a collective term for NHS trusts and NHS foundation trusts. 'Trusts' when not prefixed with 'NHS' is also used to mean providers in general.

NHS England is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS England directs that the financial statements of NHS foundation trusts shall meet the accounting requirements of the GAM. The GAM is directly applicable to NHS trusts as a result of directions issued by the Secretary of State.

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

Accounting convention

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

Consolidated Statement of Comprehensive Income (SOCI) policy

The SOCI in these consolidated accounts is presented to separately identify the surplus or deficit before impairments of non-financial assets and absorption transfers as this is how NHS England has reported on the performance of NHS providers during the year. We consider that the notional gain/loss associated with a transfer by absorption is outside of the operational performance management of an NHS provider. Impairments and revaluations of property, plant and equipment and other non-financial assets are usually considered outside of a provider's control. Fair value movements are not included within the 'impairments and transfers' column as providers are held to account for the effects of funds being invested in this way.

Note 1.1 Consolidation and other entities

Basis of consolidation

These accounts consolidate the accounts of all NHS providers that have been in existence during 2023/24 using the principles of IFRS as adopted by the FReM. They present the consolidated results of the NHS provider sector after the elimination of inter-NHS provider balances and transactions. NHS England is not the parent undertaking for NHS providers and its results are not incorporated within these accounts. As there is no parent entity within this consolidation, only consolidated group statements are presented.

The consolidated provider accounts are prepared based on accounts for each NHS provider which have been audited by the provider's locally appointed auditor. For 2023/24, five providers' audits remain incomplete at the time of finalising these disclosures on 1 November 2024. More information is provided in note 32. We are satisfied that the residual uncertainty is not material to these consolidated accounts.

Business combinations and machinery of government changes

Where an NHS provider combines with, transfers a function to, or receives a function from another entity within the Whole of Government Accounts boundary (including other NHS providers) this represents a 'machinery of government change' regardless of the mechanism used to effect the combination.

Where functions are transferred to NHS providers from other NHS or local government bodies (or vice versa), the transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts as at the date of transfer and prior year comparatives are not restated. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain/loss corresponding to the net assets/liabilities transferred is recognised within non-operating income/expenditure. Under NHS property guidance announced in May 2019, where a provider received assets formerly held by primary care trusts from NHS Property Services or Community Health Partnerships, the corresponding gain was instead recognised in other comprehensive income: this is referred to as 'modified' transfer by absorption. This property transfer scheme was withdrawn on 27 January 2023.

In absorption transfers for property, plant and equipment assets and intangible assets, the cost and accumulated depreciation and amortisation balances from the transferring entity's accounts are preserved on recognition in the NHS provider accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the NHS provider makes a transfer from its income and expenditure reserve to its revaluation reserve. Where DHSC transfers Public Dividend Capital (PDC) from the divesting body to the receiving body as part of an absorption transaction, this is treated as a transfer from the income and expenditure reserve to the PDC reserve by the NHS provider. This ensures that the absorption gain/loss is calculated in line with the requirements of the FReM and also that the balance of PDC is preserved where this is transferred by DHSC.

Where functions are transferred to another NHS or local government body, the assets and liabilities transferred are derecognised from the accounts as at the date of transfer and prior year comparatives are not restated. The net loss / gain corresponding to the net assets / liabilities transferred is recognised within non-operating income/expenditure. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

More details of transfers in 2023/24 and 2022/23 are provided in note 31.

Where NHS providers acquire businesses from outside of the Whole of Government Accounts boundary, these are accounted for in accordance with *IFRS 3 Business combinations* .

Subsidiaries

Under *IFRS 10 Consolidated financial statements,* an NHS provider controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power over the investee occurs where the provider has existing rights that give it the current ability to direct the relevant activities. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated, in full, into the appropriate financial statement lines. The capital and reserves attributable to non-controlling interests are included within Other Reserves in the Consolidated Statement of Financial Position.

The amounts consolidated are drawn from the financial results of the subsidiaries for the year, except where a subsidiary's financial year end is before 1 January or after 1 July. In these cases the actual amounts for each month of the year to 31 March are obtained from the subsidiary and consolidated.

Where a subsidiary's accounting policies are not aligned with those of the NHS provider (including where they report under UK GAAP) amounts are adjusted during local consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation. Subsidiaries classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

NHS charitable funds

NHS providers are the corporate trustees to various NHS charitable funds. NHS providers have individually assessed their relationships to the respective charitable funds to determine whether they meet the definition of subsidiaries under IFRS 10. Some NHS providers consolidate their linked NHS charity as a result. Other providers may also have charities meeting the definition of local control that are not locally consolidated on the grounds of materiality. These consolidated accounts only include charities locally consolidated by providers.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Generally Accepted Accounting Principles (UK GAAP). On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- recognise and measure them in accordance with the NHS provider's accounting policies; and
- eliminate intra-group transactions, balances, gains and losses.

Associates

Associate entities are those over which an NHS provider has the power to exercise a significant influence. Associate entities are recognised in these financial statements using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the NHS provider's share of the entity's profit or loss or other comprehensive gains and losses (e.g. revaluation gains on the entity's property, plant and equipment) following acquisition. It is also reduced when any distribution (e.g. share dividends) are received by the NHS provider from the associate.

Associates which are classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

Joint ventures

Joint ventures are arrangements in which the NHS provider has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement.

Joint ventures are accounted for using the equity method.

Joint operations

Joint operations are arrangements in which the NHS provider has joint control with one or more other parties and has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The NHS provider includes within its financial statements its share of the assets, liabilities, income and expenditure.

Note 1.2 Contract income

Where income is derived from contracts with customers, it is accounted for under *IFRS 15 Revenue from contracts with customers* . The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, each NHS provider accrues income relating to performance obligations satisfied in that year. Where the provider's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for NHS providers is contracts with commissioners for healthcare services. Funding envelopes are set at an Integrated Care System (ICS) level. The majority of providers' NHS income is earned from NHS commissioners under the NHS Payment Scheme (NHSPS) which replaced the National Tariff Payment System on 1 April 2023. The NHSPS sets out rules to establish the amount payable to trusts for NHS-funded secondary healthcare.

Aligned payment and incentive (API) contracts form the main payment mechanism under the NHSPS. In 2023/24 API contracts contain both a fixed and variable element. Under the variable element, providers earn income for elective activity (both ordinary and day case), out-patient procedures, out-patient first attendances, diagnostic imaging and nuclear medicine, and chemotherapy delivery activity. The precise definition of these activities is given in the NHSPS. Income is earned at NHSPS prices based on actual activity. The fixed element includes income for all other services covered by the NHSPS assuming an agreed level of activity with 'fixed' in this context meaning not varying based on units of activity. Elements within this are accounted for as variable consideration under IFRS 15 as explained below.

High costs drugs and devices excluded from the calculation of national prices are reimbursed by NHS England based on actual usage or at a fixed baseline in addition to the price of the related service.

In 2022/23 fixed payments were set at a level assuming the achievement of elective activity targets within aligned payment and incentive contracts. For some providers, these payments were accompanied by a variable element to adjust income for actual activity delivered on elective services and advice and guidance services. Where actual elective activity delivered differed from the agreed level set in the fixed payments, the variable element either increased or reduced the income earned by providers at a rate of 75% of the tariff price.

Providers also receive income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner and accounted for as variable consideration under IFRS 15. Payment for CQUIN and BPT on non-elective services is included in the fixed element of API contracts with adjustments for actual achievement being made at the end of the year. BPT earned on elective activity is included in the variable element of API contracts and paid in line with actual activity performed.

Where the relationship with a particular integrated care board is expected to be a low volume of activity (annual value below £0.5m), an annual fixed payment is received by the provider as determined in the NHSPS documentation. Such income is classified as 'other clinical income' in these accounts.

Elective recovery funding provides additional funding to integrated care boards to fund the commissioning of elective services within their systems. In 2023/24, trusts do not directly earn elective recovery funding, instead earning income for actual activity performed under API contract arrangements as explained above. The level of activity delivered by the trust contributes to system performance and therefore the availability of funding to the trust's commissioners. In 2022/23 elective recovery funding for providers was separately identified within the aligned payment and incentive contracts.

Mental health provider collaboratives

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

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Note 1.3 Other forms of income

Grants and donations

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

Apprenticeship service income

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

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

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

NHS pension scheme

Past and present employees are covered by the provisions of the NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both the 1995/2008 and 2015 schemes are accounted for, and the scheme liability valued, as a single combined scheme. Both are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme: the cost to the NHS body is taken as equal to the employers' pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as they become due.

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2024 is based on valuation data as 31 March 2023, updated to 31 March 2024 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2020. The results of this valuation set the employer contribution rate payable from April 2024. The Department of Health and Social Care has recently laid Scheme Regulations confirming an employer contribution rate increase to 23.7% of pensionable pay from 1 April 2024 (previously 20.6%). The core cost cap of the scheme was calculated to be outside of the 3% cost cap corridor as at 31 March 2020. However, when the wider economic situation was taken into account through the economic cost cap cost of the scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates.

Other pension schemes

Local Government Pension Scheme

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

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

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

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

Other pension schemes

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

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

Defined contribution pension schemes

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Discontinued operations

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

Note 1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

Current values in existing use are determined as follows:

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

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

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

Note 1.24 explains some estimation uncertainties relating to property valuations and explores the impact of these on these consolidated accounts.

Valuation guidance issued by the Royal Institution of Chartered Surveyors (RICS) states that valuations are performed net of VAT where the VAT is recoverable by the entity. This commonly applies to schemes procured under a Private Finance Initiative (PFI), where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for a trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with *IAS 23,* borrowing costs. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as ‘held for sale’ ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position Private Finance Initiative (PFI) contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they directly relate to a revaluation decrease that has previously been recognised in operating expenses, in which case they are reversed in operating expenditure. Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Consolidated Statement of Comprehensive Income as an item of ‘other comprehensive income’.

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of ‘other impairments’ are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as ‘held for sale’ once the criteria in *IFRS 5 Non-current assets held for sale and discontinued operations* are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their ‘fair value less costs to sell’. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as ‘held for sale’ and instead is retained as an operational asset and the asset’s economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated, government grant and other grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their current valuation on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

This includes assets donated to providers by the Department of Health and Social Care and NHS England as part of the response to the coronavirus pandemic. As defined in the GAM, providers apply the principle of donated asset accounting to assets that the providers control and are obtaining economic benefits from at the year end.

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

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM* , are accounted for as 'on-Statement of Financial Position' by NHS providers. Annual contract payments to the operator (the unitary charge) are apportioned between the repayment of the liability including the finance cost, charges for services and lifecycle replacement of components of the asset.

Initial recognition

In accordance with the FReM, the underlying assets are initially recognised as property, plant and equipment, together with an equivalent liability. Initial measurement of the asset and liability are in accordance with the initial measurement principles of IFRS 16 (see leases accounting policy).

Subsequent measurement

Assets are subsequently accounted for as property, plant and equipment and/or intangible assets as appropriate.

The liability is subsequently reduced by the portion of the unitary charge allocated as payment for the asset and increased by the annual finance cost. The finance cost is calculated by applying the implicit interest rate to the opening liability and is charged to finance costs in the Statement of Comprehensive Income. The element of the unitary charge allocated as payment for the asset is split between payment of the finance cost and repayment of the net liability.

From 1 April 2023, where there are changes in future payments for the asset resulting from indexation of the unitary charge, the Trust remeasures the PFI liability by determining the revised payments for the remainder of the contract once the change in cash flows takes effect. The remeasurement adjustment is charged to finance costs in the Statement of Comprehensive Income. The accounting policy that applied to comparatives is detailed below.

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

Initial application of IFRS 16 liability measurement principles to PFI and LIFT liabilities

IFRS 16 liability measurement principles have been applied to PFI, LIFT and other service concession arrangement liabilities in these financial statements from 1 April 2023. The change in measurement basis has been applied using a modified retrospective approach with the cumulative impact of remeasuring the liability on 1 April 2023 recognised in the income and expenditure reserve.

Comparatives for PFI, LIFT and other service concession arrangement liabilities have not been restated on an IFRS 16 basis. Under IAS 17 measurement principles which applied in 2022/23 and earlier, movements in the liability were limited to repayments of the liability and the annual finance cost arising from application of the implicit interest rate. The cumulative impact of indexation on payments for the asset was charged to finance costs as contingent rent as incurred.

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings, excluding dwellings	1	169
Dwellings	1	100
Plant & machinery	1	36
Transport equipment	1	20
Information technology	1	30
Furniture & fittings	1	45

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

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

Note 1.24 provides further information on the sensitivity of these estimated useful lives.

Note 1.8 Intangible assets

Recognition

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

Internally generated intangible assets

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

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

Software

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

Measurement

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

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

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

Amortisation

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

Useful lives of intangible assets

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

	Min life Years	Max life Years
Intangible assets - internally generated		
Information technology	1	20
Development expenditure	1	12
Websites	1	10
Intangible assets - purchased		
Software	1	20
Licences & trademarks	1	20
Other	1	21

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

Note 1.9 Investment properties

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

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

Note 1.10 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. An adaptation of the relevant accounting standard by HM Treasury for the public sector means that for NHS bodies, this includes lease-like arrangements with other public sector entities that do not take the legal form of a contract. It also includes peppercorn leases where consideration paid is nil or nominal (significantly below market value) but in all other respects meet the definition of a lease. NHS providers do not apply lease accounting to new contracts for the use of intangible assets.

A trust determines the lease term with reference to the non-cancellable period and any options to extend or terminate the lease which the trust is reasonably certain to exercise.

NHS providers as lessees

Initial recognition and measurement

At the commencement date of the lease, being when the asset is made available for use, providers recognise a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments includes fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised.

Where an implicit rate cannot be readily determined, a provider's incremental borrowing rate is applied. This rate is determined by HM Treasury annually for each calendar year. A nominal rate of 3.51% applied to new leases commencing in 2023 and 4.72% to new leases commencing in 2024.

Providers do not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £5,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight line or other systematic basis over the lease term. Irrecoverable VAT on lease payments is expensed as it falls due.

Subsequent measurement

As required by a HM Treasury interpretation of the accounting standard for the public sector, the providers employ a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

Providers subsequently measure the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

NHS providers as lessors

Providers assess each of their leases and classify them as either finance leases or operating 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.

Where a provider is an intermediate lessor, classification of the sublease is determined with reference to the right of use asset arising from the headlease.

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the provider's net investment in the leases. Finance lease interest income is allocated to accounting periods to reflect a constant periodic rate of return on the provider's net investment.

Operating leases

Income from operating leases is recognised on a straight-line basis or another systematic basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Initial application of IFRS 16 in 2022/23

IFRS 16 Leases as adapted and interpreted for the public sector by HM Treasury has been applied to these financial statements with an initial application date of 1 April 2022. IFRS 16 replaces *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations.

The standard was applied using a modified retrospective approach with the cumulative impact recognised in the income and expenditure reserve on 1 April 2022. Upon initial application, the provisions of IFRS 16 were only applied to existing contracts where they were previously deemed to be a lease or contain a lease under IAS 17 and IFRIC 4. Where existing contracts were previously assessed not to be or contain a lease, these assessments were not revisited.

NHS providers as lessees

For continuing leases previously classified as operating leases, a lease liability was established on 1 April 2022 equal to the present value of future lease payments discounted at the HM Treasury incremental borrowing rate of 0.95%. A right of use asset was created equal to the lease liability and adjusted for prepaid and accrued lease payments and deferred lease incentives recognised in the Statement of Financial Position immediately prior to initial application. Hindsight was used in determining the lease term where lease arrangements contained options for extension or earlier termination.

No adjustments were made on initial application in respect of leases with a remaining term of 12 months or less from 1 April 2022 or for leases where the underlying assets had a value below £5,000. No adjustments were made in respect of leases previously classified as finance leases.

NHS providers as lessors

Leases of owned assets where a trust was lessor were unaffected by initial application of IFRS 16. For existing arrangements where a provider was an intermediate lessor, classification of all continuing sublease arrangements was reassessed with reference to the right of use asset.

Note 1.11 Inventories

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through leasing arrangements are recognised and measured in accordance with the accounting policy for leases described in note 1.10.

Financial assets are subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income.

Financial liabilities are subsequently measured at amortised cost or fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

Financial assets at amortised cost are those where cash flows are solely payments of principal and interest. Financial assets and liabilities subsequently measured at amortised cost include cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Consolidated Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets measured at fair value through other comprehensive income

Financial assets that are debt instruments are measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure.

In some cases providers have irrevocably elected to measure some equity instruments at fair value through other comprehensive income. This is not material to these consolidated accounts.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through income and expenditure are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses within surplus / (deficit) for the year.

In some cases providers have irrevocably elected to measure some financial assets at fair value through income and expenditure. This is not material to these consolidated accounts.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, providers recognise an allowance for expected credit losses.

Providers adopt the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Consolidated Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Consolidated Statement of Financial Position.

De-recognition

Financial assets are de-recognised when contractual cash flows have been received or the provider has transferred substantially all the risks and rewards of ownership. A financial asset may also be written off when there is deemed no realistic prospect of recovery, at which point any loss in excess of credit loss allowances already recognised will be charged to operating expenditure.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value and usually mature within 3 months or less from the date of acquisition.

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

Note 1.14 Third party assets

Assets belonging to third parties in which a NHS provider has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts since an NHS provider has no beneficial interest in them. They are disclosed in a separate note to the accounts in accordance with the requirements of the FReM (see note 18.2 to the accounts).

Note 1.15 Provisions

An NHS provider recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Consolidated Statement of Financial Position is the best estimate of the resources required to settle the obligation.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury's discount rates effective for 31 March 2024.

		Nominal rate	Prior year rate
Short-term	Up to 5 years	4.26%	3.27%
Medium-term	After 5 years up to 10 years	4.03%	3.20%
Long-term	After 10 years up to 40 years	4.72%	3.51%
Very long-term	Exceeding 40 years	4.40%	3.00%

HM Treasury provides discount rates for general provision on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2024.

	Inflation rate	Prior year rate
Year 1	3.60%	7.40%
Year 2	1.80%	0.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's post employment benefits discount rate of 2.45% in real terms (1.7% at 31 March 2023).

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which an NHS provider pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with an NHS provider. The total value of clinical negligence provisions carried by NHS Resolution on behalf of NHS providers is disclosed at note 22.3.

Non-clinical risk pooling

NHS providers can participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which an NHS provider pays an annual contribution to NHS Resolution and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 23 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 23, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the NHS trust or predecessor NHS trust in the case for NHS foundation trusts. The Secretary of State can issue new PDC to, and require repayments of PDC from NHS providers. HM Treasury has determined that PDC is not a financial instrument within the meaning of *IAS 32 Financial instruments: presentation* . PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined in the PDC dividend policy issued by the Department of Health and Social Care. This policy is available at https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.

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

Note 1.18 Value added tax

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

Note 1.19 Corporation tax

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

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

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

Note 1.20 Climate change levy

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

Note 1.21 Foreign exchange

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

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

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

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

Note 1.22 Losses and special payments

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

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

Note 1.23 Going concern

HM Treasury's Financial Reporting Manual (FReM) defines that a public sector body that is not classified as a trading entity will be a going concern where there is the anticipated continuation of the provision of services in the future. The same definition is applied by NHS providers in preparing their financial statements. All NHS provider financial statements have been prepared on a going concern basis in 2023/24. NHS England has prepared these consolidated financial statements on a going concern basis which reflects the basis on which the underlying accounts have been prepared with the sector having no material uncertainty to disclose. This is consistent with the current and future funding confirmed for the NHS by Parliament and the Government.

Note 1.24 Critical accounting judgements and key sources of estimation uncertainty

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

- Intra-group transactions and balances between NHS providers are eliminated upon consolidation. Where differences are identified in the amounts recorded, adjustments are made to these amounts to ensure all intra-group balances eliminate. Any difference between these amounts and the amounts recognised as expenditure and payables are not further adjusted as these net amounts are not material. We are satisfied that the gross mismatches which net together to this immaterial position do not constitute a material error.
- These consolidated accounts are prepared on a going concern basis as detailed within accounting policy 1.23.
- Individual NHS providers apply judgement in their application of the nationally prescribed accounting policies set out in the DHSC GAM.

The following are the key sources of estimation uncertainty:

- Measurement of specialised non-current assets: Property plant and equipment is measured using the revaluation model in IAS 16 Property, plant and equipment as set out in accounting policy 1.7. This measurement basis also applies to right of use assets unless cost is deemed to be an appropriate proxy for valuation as detailed in accounting policy 1.10. In applying RICS guidance to valuing an asset, the valuation used by the NHS provider will depend on the local assumptions and data used, including the floor area for assets. For a specialised asset valued on a depreciated replacement cost (DRC) basis as a modern equivalent asset (MEA), this includes the assumption of whether 'alternative site' or 'no alternative site' is used for the valuation. Further, RICS guidance says that valuations should be stated net of VAT where VAT would be recoverable on the cost of replacing the service potential. Whether this is applicable in each local valuation is a matter of local judgement, with guidance on the parameters for this judgement provided in the DHSC GAM. The accounting policy of DRC:MEA is applied consistently for specialised assets across NHS providers, but local valuation assumptions may have material effects on each local valuation.

- Useful lives of PPE: as shown in note 14.1, property plant and equipment (PPE) is material to these consolidated accounts. In note 1.7 we disclose, for each category of PPE, the lowest minimum and the highest maximum in the ranges of useful lives used by providers. Useful lives are the period over which assets are depreciated. We do not collect information from providers on average useful lives, but in taking the median average lowest and median average highest, and the mean average of those, an approximate average can be computed to assess the impact of the accounting estimates.

  As shown in note 14.1, buildings and plant & equipment depreciation comprise 47% and 29% of total PPE depreciation charged in-year respectively. Utilising the methodology outlined above, a very approximate average useful life in these categories is 37.5 years and 10 years respectively. In average terms, making all asset lives one year shorter would increase the annual depreciation charge by approximately £39 million for buildings and £98 million for plant & machinery. This is not material. Based on a materiality of £1.3 billion, nine times this 'one year effect' would be required to lead to a material error based on these approximate averages.

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

- Measurement of lease liabilities and right of use assets for lease-like arrangements with public sector entities that do not take the legal form of a contract: In accordance with accounting policy 1.10, where formal documentation does not exist for a lease-like arrangement with a public sector body, providers must calculate lease liabilities and initial right of use asset values with reference to an expected lease term. Providers will estimate expected lease term based on the commercial reality of the arrangement and current plans for estates and service provision. This increases the estimation uncertainty in the measurement of these balances. For example, if a lease term was assessed at 25 years instead of 20 years for a lease commencing in 2023, this would result in a 16% increase in the liability and asset on initial recognition. The bases for such judgements are subject to review by each local external auditor.

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

Note 1.25 Early adoption of standards, amendments and interpretations

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

Note 1.26 Standards, amendments and interpretations in issue but not yet effective or adopted

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

Standard	**Description of amendment**	**Effective date**
Standards, amendments or interpretations issued and effective from 2024/25:		
IAS 1 Presentation of financial statements (amendments)	Amendments regarding the current or non-current classification of liabilities Amendments relating to non-current liabilities with covenants	Adopted by the FReM from 2024/25.
IFRS 16 Leases (amendments)	Amendments relating to the lease liability in sale and leaseback transactions	Adopted by the FReM from 2024/25.
IAS 7 / IFRS 7 (amendments)	Quantitative and qualitative disclosures relating to supplier finance arrangements	Adopted by the FReM from 2024/25.
IAS 21 (amendments)	Guidance relating to lack of exchangeability of foreign currencies	Not yet endorsed for use in the UK

Standard	Description of amendment	Effective date
Standards, amendments or interpretations issued and effective for later periods:		
IFRS 17 Insurance contracts	Original issue and subsequent amendments	The Standard applies to annual periods beginning on or after 1 January 2023. Adoption in the UK public sector is expected for the 2025/26 financial year onwards.
IFRS 18 Presentation and Disclosures in Financial Statements	Original issue	Not yet endorsed for use in the UK
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Original issue	Not yet endorsed for use in the UK

None of the new or amended standards are expected to have a material impact on the consolidated NHS provider accounts in future accounting periods.

Note 2 Operating segments

The NHS provider sector is formed of five types of NHS provider, supplying different services: acute, ambulance, community, mental health and specialist. This classification is based on the majority of the provider's income: i.e. each provider is allocated to a single segment. Each NHS provider also belongs to one of seven regions.

These are two alternative segmental analyses. NHS England is not the parent of NHS providers and as such does not have a function that meets the definition of the chief operating decision maker in *IFRS 8 Operating segments* .

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

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

Analysis by type of trust

2023/24 excluding charities	**Community £m**	**Ambulance £m**	**Specialist £m**	**Mental Health £m**	**Acute £m**	**Total £m**
Income	4,204	4,067	5,375	19,221	99,624	**132,491**
Expenditure before depreciation and impairments	(3,999)	(3,888)	(5,083)	(18,539)	(96,023)	**(127,532)**
Depreciation and amortisation	(177)	(196)	(220)	(575)	(3,224)	**(4,392)**
Net finance costs	(19)	3	(30)	(171)	(2,608)	**(2,825)**
Other	-	2	7	-	17	**26**
Surplus / (deficit) before I&T	**9**	**(12)**	**49**	**(64)**	**(2,214)**	**(2,232)**
Impairments (net of reversals)	(43)	(29)	(50)	(419)	(1,654)	**(2,195)**
Transfers by absorption	12	-	-	(15)	26	**23**
Surplus / (deficit) for the year [1]	**(22)**	**(41)**	**(1)**	**(498)**	**(3,842)**	**(4,404)**

2022/23 excluding charities	**Community £m**	**Ambulance £m**	**Specialist £m**	**Mental Health £m**	**Acute £m**	**Total £m**
Income	4,056	3,906	4,967	18,055	93,428	**124,412**
Expenditure before depreciation and impairments	(3,853)	(3,700)	(4,681)	(17,287)	(89,526)	**(119,047)**
Depreciation and amortisation	(170)	(186)	(195)	(545)	(2,996)	**(4,092)**
Net finance costs	(24)	(8)	(47)	(185)	(1,505)	**(1,769)**
Other	-	(1)	4	35	10	**48**
Surplus / (deficit) before I&T	**9**	**11**	**48**	**73**	**(589)**	**(448)**
Impairments (net of reversals)	(24)	(24)	(6)	(126)	(884)	**(1,064)**
Transfers by absorption	-	-	1	12	(17)	**(4)**
Surplus / (deficit) for the year [1]	**(15)**	**(13)**	**43**	**(41)**	**(1,490)**	**(1,516)**

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

Analysis by region

2023/24 excluding charities	North West £m	North East and Yorkshire £m	Midlands £m	East of England £m	South East £m	South West £m	London £m	Total £m
Income	18,226	19,637	23,593	12,619	17,857	12,314	28,245	**132,491**
Expenditure before depreciation and impairments	(17,739)	(18,944)	(22,852)	(12,067)	(17,274)	(11,790)	(26,866)	**(127,532)**
Depreciation and amortisation	(617)	(529)	(723)	(441)	(621)	(422)	(1,039)	**(4,392)**
Net finance costs	(346)	(343)	(639)	(253)	(281)	(248)	(715)	**(2,825)**
Other	(1)	(3)	(4)	(5)	21	(4)	22	**26**
Surplus / (deficit) before I&T	**(477)**	**(182)**	**(625)**	**(147)**	**(298)**	**(150)**	**(353)**	**(2,232)**
Impairments (net of reversals)	(362)	(292)	(207)	(237)	(421)	(164)	(512)	**(2,195)**
Gains/(losses) from transfers by absorption	5	6	2	-	13	(3)	-	**23**
Surplus / (deficit) for the year [1]	**(834)**	**(468)**	**(830)**	**(384)**	**(706)**	**(317)**	**(865)**	**(4,404)**

2022/23 excluding charities	North west £m	North East and Yorkshire £m	Midlands £m	East of England £m	South East £m	South West £m	London £m	Total £m
Income	17,399	18,655	22,040	11,787	16,796	11,424	26,311	**124,412**
Expenditure before depreciation and impairments	(16,773)	(17,870)	(21,095)	(11,313)	(16,147)	(10,886)	(24,963)	**(119,047)**
Depreciation and amortisation	(575)	(499)	(680)	(401)	(580)	(392)	(965)	**(4,092)**
Net finance costs	(197)	(217)	(329)	(175)	(240)	(170)	(441)	**(1,769)**
Other	4	1	21	(7)	20	-	9	**48**
Surplus / (deficit) before I&T	**(142)**	**70**	**(43)**	**(109)**	**(151)**	**(24)**	**(49)**	**(448)**
Impairments (net of reversals)	(353)	(133)	(58)	(95)	(123)	(175)	(127)	**(1,064)**
Gains/(losses) from transfers by absorption	(5)	-	-	-	1	-	-	**(4)**
(Deficit) for the year[1]	**(500)**	**(63)**	**(101)**	**(204)**	**(273)**	**(199)**	**(176)**	**(1,516)**

[1] These totals are after impairments and transfers but before the consolidation of charitable funds and the elimination of inter-provider leases.

Reconciliation to Consolidated Statement of Comprehensive Income

2023/24	Figure per segmental analysis £m	Less: Inter-provider adjustment[2] £m	Add: charities consolidation[3] £m	Total before impairments & transfers £m	Impairments & transfers[4] £m	Total per SOCI £m
Operating income	132,491	(3,606)	26	**128,911**	-	**128,911**
Operating expenditure excluding depreciation	(127,532)	3,538	(58)	**(124,052)**	(2,188)	**(126,240)**
Depreciation and amortisation	(4,392)	69	-	**(4,323)**	-	**(4,323)**
Operating expenditure total	(131,924)	3,607	(58)	**(128,375)**	(2,188)	**(130,563)**
Operating surplus / (deficit)	**567**	**1**	**(32)**	**536**	**(2,188)**	**(1,652)**
Net finance costs	(2,825)	5	8	**(2,812)**	-	**(2,812)**
Other items	26	-	(62)	**(36)**	23	**(13)**
Surplus / (deficit) for the year	**(2,232)**	**6**	**(86)**	**(2,312)**	**(2,165)**	**(4,477)**
2022/23						
Operating income	124,412	(3,257)	47	**121,202**	-	**121,202**
Operating expenditure excluding depreciation	(119,047)	3,177	(48)	**(115,918)**	(1,054)	**(116,972)**
Depreciation and amortisation	(4,092)	68	-	**(4,024)**	-	**(4,024)**
Operating expenditure total	(123,139)	3,245	(48)	**(119,942)**	(1,054)	**(120,996)**
Operating surplus / (deficit)	**1,273**	**(12)**	**(1)**	**1,260**	**(1,054)**	**206**
Net finance costs	(1,769)	5	7	**(1,757)**	-	**(1,757)**
Other items	48	-	(8)	**40**	(4)	**36**
Surplus / (deficit) for the year	**(448)**	**(7)**	**(2)**	**(457)**	**(1,058)**	**(1,515)**

[2] These numbers represent the elimination of transactions between NHS providers. The adjustments include the alignment of accounting treatment for lease arrangements between providers which, under the application of *IFRS 16 Leases,* is not consistent between the lessee and lessor.

[3] These numbers reflect the impact of consolidating NHS charitable funds including local intra-group eliminations. These numbers do not represent total income and expenditure in NHS charitable funds.

[4] The net impairments figure in this reconciliation excludes impairments to right of use assets held under inter-provider leases eliminated on consolidation therefore does not match the impairments figure seen in the segmental reporting analysis.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.2.

Note 3.1 Income from patient care activities (by nature)

	2023/24 £m	2022/23 £m
Acute services		
Income from commissioners under API contracts (NHSPS variable element)*	16,348	
Income from commissioners under API contracts (fixed element)*	60,285	69,747
Other NHS clinical income (including high cost drugs income)	9,564	7,864
Mental health services		
Income from commissioners under API contracts*	11,145	10,664
Income for the secondary commissioning of services	1,529	778
Other clinical income	1,549	1,646
Ambulance services		
A & E income	3,331	3,099
Patient transport service income	260	232
Other income	177	190
Community services		
Income from commissioners under API contracts*	8,298	7,528
Community services income from other sources	1,624	1,506
All services		
Private patient income	759	646
Elective recovery fund**		1,857
National pay award central funding***	302	2,490
Additional pension contribution central funding****	3,183	2,889
Other clinical income	1,303	958
Total income from patient care activities	**119,657**	**112,094**

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in accounting policy 1.2 and the 2023/25 NHS Payment Scheme documentation.
https://www.england.nhs.uk/pay-syst/nhs-payment-scheme/

** The application of elective recovery funding in 2023/24 and 2022/23 is explained in accounting policy 1.2

***Additional funding was made available directly to providers by NHS England in 2023/24 and 2022/23 for implementing the backdated element of pay awards where government offers were finalised after the end of the financial year. NHS Payment Scheme prices and API contracts are updated for the weighted uplift in in-year pay costs when awards are finalised.

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

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2023/24 £m	2022/23 £m
NHS England	30,103	30,481
Integrated care boards *	85,369	59,305
Clinical commissioning groups *		18,464
Department of Health and Social Care	2	3
NHS other	142	140
Local authorities	2,214	2,080
Non-NHS: private patients	750	638
Non-NHS: overseas patients (chargeable to patient)	123	100
Injury cost recovery scheme	195	172
Non NHS: other	759	711
Total income from activities	**119,657**	**112,094**

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

* On 1 July 2022, 42 integrated care boards (ICBs) were established under the Health and Care Act 2022. Functions previously performed by the 106 clinical commissioning groups (CCGs) transferred and the CCGs were dissolved. Further information on ICBs can be found at:

https://www.england.nhs.uk/integratedcare/

Note 4 Other operating income

	2023/24			2022/23		
	Contract income £m	Non-contract income £m	Total £m	Contract income £m	Non-contract income £m	Total £m
Research and development	1,108	141	**1,249**	1,080	122	**1,202**
Education and training	3,898	154	**4,052**	3,655	133	**3,788**
Receipt of capital grants, donations and peppercorn leased assets		354	**354**		407	**407**
Charitable and other contributions to expenditure		127	**127**		260	**260**
Non-patient care services to other bodies	990		**990**	834		**834**
Reimbursement funding**	-		**-**	334		**334**
Revenue from finance leases		-	**-**		2	**2**
Revenue from operating leases		104	**104**		80	**80**
Income in respect of staff costs where accounted on gross basis	212		**212**	224		**224**
Incoming resources excluding investment income, relating to NHS charitable funds		56	**56**		82	**82**
PFI support income	31		**31**	35		**35**
Car parking	225		**225**	178		**178**
Pharmacy sales	122		**122**	152		**152**
Clinical excellence awards	82		**82**	88		**88**
Catering	143		**143**	114		**114**
Other	1,492	15	**1,507**	1,317	11	**1,328**
Total other operating income	**8,303**	**951**	**9,254**	**8,011**	**1,097**	**9,108**

** Additional costs of delivering COVID testing laboratories and vaccinations were reimbursed to NHS providers by NHS England. From August 2022, vaccination funding was transferred into baseline contracts with integrated care boards rather than being reimbursed centrally.

Note 5 Overseas visitors (relating to patients charged directly by NHS providers)

	2023/24	2022/23
	£m	£m
Income recognised this year (within patient care income)	123	100
Cash payments received in-year	42	32
Amounts added to provision for impairment of receivables	68	66
Amounts written off in-year	44	37

Note 6 Operating leases - NHS providers as lessors

This note discloses income generated in operating lease agreements where an NHS provider is the lessor.

Note 6.1 Operating leases income

	2023/24	2022/23
	£m	£m
Lease receipts recognised as income in year:		
Minimum lease receipts	99	75
Variable lease receipts / contingent rents	5	5
Total in-year operating lease income	**104**	**80**

Note 6.2 Future lease receipts

	31 March 2024	31 March 2023
	£m	£m
Future minimum lease receipts due in:		
- not later than one year;	88	66
- later than one year and not later than two years;	61	52
- later than two years and not later than three years;	56	47
- later than three years and not later than four years;	53	44
- later than four years and not later than five years;	54	38
- later than five years.	633	647
Total	**945**	**894**

Note 7.1 Operating expenses

	2023/24 £m	2022/23 £m
Purchase of healthcare from NHS and DHSC bodies	3	13
Purchase of healthcare from non-NHS and non-DHSC bodies	3,546	3,123
Purchase of social care	240	207
Employee expenses - staff (including executive directors)*	83,775	78,800
Non-executive directors	34	34
Supplies and services - clinical	8,997	8,356
Supplies and services - general	1,963	1,842
Drug costs	10,777	9,931
Inventories written down	19	19
Consultancy costs	166	196
Establishment	1,303	1,243
Premises	5,152	4,635
Transport (including patient travel)	976	907
Depreciation on property, plant and equipment and right of use assets	3,913	3,635
Amortisation on intangible assets	410	389
Net Impairments	2,188	1,054
Movement in credit loss allowance: contract receivables / assets	99	96
Movement in credit loss allowance: all other receivables & financial assets	8	2
Increase / (decrease) in other provisions	24	(45)
Change in provisions discount rate(s)	(16)	(86)
Fees payable to the external auditor**		
audit fee	39	32
other auditor remuneration (external auditor only)	1	1
Internal audit costs, including local counter fraud services	22	21
Clinical negligence	2,641	2,435
Legal fees	124	112
Insurance	133	100
Research and development	818	804
Education and training	960	905
Expenditure on short term leases	98	94
Expenditure on low value leases	25	25
Variable lease payments not included in the liability	28	31
Early retirements	1	1
Redundancy	31	17
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)***	1,199	1,131
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	1	1
Car parking & security	78	78
Hospitality	8	6
Losses, ex gratia & special payments	21	19
Grossing up consortium arrangements	17	17
Other services, eg external payroll	90	84
Other	596	678
NHS charitable funds: Other resources expended	55	53
Total	**130,563**	**120,996**

* Staff costs here and in note 8.1 differ as note 8.1 also includes redundancy and early retirements costs and the costs of staff involved in research & development, education & training and internal audit services.

** These are the audit fees disclosed by NHS providers and do not include the audit fee payable to the National Audit Office in respect of these consolidated accounts. This fee is £280,000 (2022/23: £250,000) and is accounted for in the NHS England accounts.

*** This line does not contain all the charges relating to PFI and similar schemes in these accounts. An analysis of payments made to PFI operators can be found in note 25.3.

Note 7.2 Other auditors' remuneration

	2023/24 £m	2022/23 £m
Other remuneration paid to the external auditor is made up as follows:		
1. Audit of accounts of any associate of the provider	0.4	0.4
2. Audit-related assurance services	0.1	0.1
3. Taxation compliance services	-	0.2
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	0.1	0.1
Total	**0.6**	**0.8**

Note 8.1 Employee benefits

	Permanent £m	Other £m	2023/24 Total £m	2022/23 Total £m
Salaries and wages	60,333	2,471	**62,804**	59,044
Social security costs	6,677	166	**6,843**	6,138
Apprenticeship levy	317	4	**321**	283
Employers' contributions to NHS pensions	10,194	177	**10,371**	9,423
Pension cost - other	25	2	**27**	30
Other employment benefits	1	5	**6**	5
Termination benefits	27	-	**27**	10
Temporary staff (including agency)	-	4,789	**4,789**	5,140
NHS charitable funds staff	4	-	**4**	4
Total gross staff costs	**77,578**	**7,614**	**85,192**	**80,077**
Recoveries in respect of seconded staff	(128)	(9)	**(137)**	(124)
Total staff costs	**77,450**	**7,605**	**85,055**	**79,953**
Included within:				
Costs capitalised as part of assets	273	50	**323**	287

Staff costs here and in note 7.1 differ as note 8.1 also includes redundancy and early retirements costs and the costs of staff involved in research & development, education & training and internal audit services.

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

Note 8.2 Average number of employees (WTE basis)

	Permanent Number	Other Number	2023/24 Total Number	2022/23 Total Number
Medical and dental	132,194	26,500	**158,694**	150,742
Ambulance staff	32,703	441	**33,144**	32,899
Administration and estates	294,648	18,809	**313,457**	282,756
Healthcare assistants and other support staff	260,906	39,962	**300,868**	299,436
Nursing, midwifery and health visitors	396,375	48,115	**444,490**	429,890
Scientific, therapeutic and technical staff	159,241	8,710	**167,951**	159,581
Healthcare science staff	30,267	1,157	**31,424**	29,552
Social care staff	2,935	102	**3,037**	2,898
Other	3,511	253	**3,764**	3,252
Total average numbers	**1,312,780**	**144,049**	**1,456,829**	**1,391,006**
Of which:				
Number of employees (WTE) engaged on capital projects	3,778	432	**4,210**	3,952

Note 8.3 Early retirements due to ill-health

During 2023/24 there were 1,306 early retirements on the grounds of ill-health (2022/23: 858). The estimated additional pension liability borne by the NHS Pension Scheme is £116 million (2022/23: £61 million).

Note 8.4 Reporting of compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS terms and conditions of service. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Further disclosure of exit packages paid to senior managers can be found in the remuneration reports of individual NHS providers. Note 8.5 provides further analysis of the 'other departures' disclosed below.

2023/24	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
Exit package cost band (including any special payment element)			
<£10,000	113	1,863	**1,976**
£10,000 - £25,000	131	357	**488**
£25,001 - £50,000	97	169	**266**
£50,001 - £100,000	86	132	**218**
£100,001 - £150,000	42	23	**65**
£150,001 - £200,000	23	4	**27**
>£200,000	1	2	**3**
Total number of exit packages by type	**493**	**2,550**	**3,043**
Total resource cost (£m)	22	31	**53**

2022/23	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£10,000	84	1,906	**1,990**
£10,000 - £25,000	111	255	**366**
£25,001 - £50,000	74	95	**169**
£50,001 - £100,000	56	49	**105**
£100,001 - £150,000	12	7	**19**
£150,001 - £200,000	15	3	**18**
>£200,000	-	1	**1**
Total number of exit packages by type	**352**	**2,316**	**2,668**
Total resource cost (£m)	13	18	**31**

Note 8.5 Exit packages: other (non-compulsory) departure payments

	2023/24		2022/23	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	128	6.2	62	2.0
Mutually agreed resignations (MARS) contractual costs	257	8.1	81	2.5
Early retirements in the efficiency of the service contractual costs	2	0.3	-	-
Contractual payments in lieu of notice	2,116	14.4	2,029	10.1
Exit payments following employment tribunals or court orders	95	1.3	95	1.4
Non-contractual payments requiring HM Treasury approval*	51	0.9	66	1.6
Total	**2,649**	**31.2**	**2,333**	**17.6**

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

In 2023/24 there was one non-contractual payment requiring HM Treasury approval (totalling £0.1 million) that was in excess of the individual's salary (2022/23: 2 payments totalling £0.5 million).

As a single exit package can be made up of several components, each of which will be counted separately in this note, the total number in note 8.5 does not match the total numbers in note 8.4 which is the number of individuals.

Exit packages disclosed in this note differ from the redundancy figure included within note 7.1. The redundancy figure in note 7.1 relates to additional costs which are not exit packages payable directly to the employee.

Note 9 Pension costs

All NHS providers participate in the NHS Pension Scheme. This is a statutory, defined benefit scheme, the regulations of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). NHS providers pay contributions at rates specified from time to time by the Secretary of State, as advised by the Government Actuary and with the consent of HM Treasury.

For 2023/24, the employer contribution rate was 20.6% (2022/23: 20.6%). It is not possible for the NHS provider sector to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme in these accounts.

Employer pension contributions are charged to operating expenses as and when they become due.

As set out in accounting policy 1.4, some NHS providers also have employees who are members of other pension schemes. Membership of these individual schemes is not material to the consolidated NHS provider accounts.

Note 10 Impairment of non-current assets

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

	Impairments £m	Reversals £m	2023/24 Net impairments £m	2022/23 Net impairments £m
Net impairments charged to operating surplus / deficit resulting from:				
Loss or damage from normal operations	7	(2)	**5**	9
Over specification of assets	1	-	**1**	3
Abandonment of assets in course of construction	10	(1)	**9**	12
Unforeseen obsolescence	133	(1)	**132**	7
Changes in market price	2,356	(445)	**1,911**	962
Other causes	134	(4)	**130**	61
Total net impairments charged to operating surplus / deficit	**2,641**	**(453)**	**2,188**	**1,054**
Impairments charged to the revaluation reserve	1,611	(160)	**1,451**	**518**
Total net impairments	**4,252**	**(613)**	**3,639**	**1,572**

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£1,894 million, 2022/23: £839 million), intangible assets (£76 million, 2022/23: £22 million), right of use assets (£199 million, 2022/23: £192 million), and investments in joint ventures and associates (£1 million reversal, 2022/23: nil) and assets held for sale (£20 million, 2022/23: £1 million). Impairments charged to the revaluation reserve relate to property, plant and equipment (£1,443 million, 2022/23: £509 million) right of use assets (£7 million, 2022/23: £9 million) and intangible assets (£1 million, 2022/23:nil).

In addition there are revaluation surpluses taken to the revaluation reserve of £1,197 million (2022/23: £2,431 million), as can be seen in the Statement of Changes in Equity.

Note 11 Finance expenditure

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

	2023/24 £m	2022/23 £m
Interest on loans from the Department of Health and Social Care	55	59
Interest on other loans	9	9
Interest on lease liabilities	94	75
Interest on late payment of commercial debt	1	-
Finance costs on PFI, LIFT and other service concession arrangements:		
Main finance costs	713	431
Contingent finance costs*	2	445
Remeasurement of the liability resulting from change in index or rate*	1,563	
Other finance costs	11	7
Total finance expenditure - financial liabilities	**2,448**	**1,026**
Finance expense - unwinding of discount on provisions	11	2
Total finance expenditure	**2,459**	**1,028**

* From 1 April 2023, IFRS 16 liability measurement principles are applied to PFI, LIFT and other service concession liabilities. Increases to imputed lease payments arising from inflationary uplifts are now included in the liability, and contingent rent only arises on immaterial schemes where remeasurement has not been applied. More information is provided in Note 25.4.

Note 12 Other gains and losses

	2023/24	2022/23
Gains/(losses) on disposal/derecognition of non-current assets	**£m**	**£m**
Profit on disposal of non-current assets	34	38
Loss on disposal of non-current assets	(34)	(40)
Other gains/(losses)		
Fair value gains/(losses) on investment property and other financial assets	21	-
Other gains/(losses)	-	26
Fair value gains/(losses) on charitable fund investment property and other financial assets	10	(8)
Loss associated with loss of controlling interest in charitable funds	(70)	-
Total other gains/(losses)	**(39)**	**16**

Note 13.1 Intangible assets - 2023/24

	Software licences £m	Licences & trademarks £m	Information technology £m	Development expenditure £m	Intangible assets under construction £m	Other £m	Total £m
Valuation/gross cost at 1 April 2023 - brought forward	**2,454**	**36**	**888**	**198**	**473**	**21**	**4,070**
Adjustments to prior period accounted for in-year	1	-	1	-	19	-	**21**
Additions	166	1	53	16	297	2	**535**
Impairments	(24)	-	(41)	(6)	(11)	-	**(82)**
Reclassifications	191	1	198	-	(360)	4	**34**
Revaluations	-	-	-	-	-	(4)	**(4)**
Transfers to/ from assets held for sale	(1)	(3)	-	-	(3)	-	**(7)**
Disposals / derecognition	(131)	(1)	(64)	(12)	(1)	(1)	**(210)**
Valuation/gross cost at 31 March 2024	**2,656**	**34**	**1,035**	**196**	**414**	**22**	**4,357**
Amortisation at 1 April 2023 - brought forward	**1,376**	**22**	**442**	**108**	**1**	**5**	**1,954**
Provided during the year	276	5	107	20	-	2	**410**
Impairments	(6)	-	-	(1)	-	2	**(5)**
Reclassifications	(11)	-	15	(11)	-	-	**(7)**
Revaluations	-	-	-	-	-	(4)	**(4)**
Disposals / derecognition	(131)	(1)	(61)	(12)	(1)	-	**(206)**
Amortisation at 31 March 2024	**1,504**	**26**	**503**	**104**	**-**	**5**	**2,142**
Net book value at 31 March 2024	**1,152**	**8**	**532**	**92**	**414**	**17**	**2,215**
Net book value at 1 April 2023	**1,078**	**14**	**446**	**90**	**472**	**16**	**2,116**

Of the total net impairment of £77 million shown in this note, £76 million was charged to operating expenses and £1 million to the revaluation reserve.

Note 13.2 Intangible assets - 2022/23

	Software licences £m	Licences & trademarks £m	Information technology £m	Development expenditure £m	Intangible assets under construction £m	Other £m	Total £m
Valuation/gross cost at 1 April 2022	**2,152**	**35**	**879**	**185**	**460**	**19**	**3,730**
IFRS 16 implementation: reclassification of existing finance leased assets to right of use assets	(17)	-	(4)	-	-	(1)	**(22)**
Previous prior period adjustments accounted for in 2022/23	(27)	-	22	-	4	-	**(1)**
Additions	180	3	52	10	267	1	**513**
Impairments	(6)	-	(7)	-	(5)	-	**(18)**
Reclassifications	262	-	34	10	(252)	3	**57**
Revaluations	(1)	-	(39)	-	-	-	**(40)**
Disposals / derecognition	(89)	(2)	(49)	(7)	(1)	(1)	**(149)**
Valuation/gross cost at 31 March 2023	**2,454**	**36**	**888**	**198**	**473**	**21**	**4,070**
Amortisation at 1 April 2022	**1,225**	**19**	**430**	**95**	**1**	**4**	**1,774**
IFRS 16 implementation: reclassification of existing finance leased assets to right of use assets	(14)	-	(4)	-	-	-	**(18)**
Previous prior period adjustments accounted for in 2022/23	(20)	-	10	-	-	-	**(10)**
Provided during the year	264	5	96	22	-	2	**389**
Impairments	2	-	2	-	-	-	**4**
Reclassifications	5	-	(1)	(2)	-	-	**2**
Revaluations	(1)	-	(42)	-	-	-	**(43)**
Disposals / derecognition	(85)	(2)	(49)	(7)	-	(1)	**(144)**
Amortisation at 31 March 2023	**1,376**	**22**	**442**	**108**	**1**	**5**	**1,954**
Net book value at 31 March 2023	**1,078**	**14**	**446**	**90**	**472**	**16**	**2,116**
Net book value at 1 April 2022	**927**	**16**	**449**	**90**	**459**	**15**	**1,956**

The total net impairment of £22 million shown in this note was charged to operating expenses.

Note 14.1 Property, plant and equipment - 2023/24

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Valuation / gross cost at 1 April 2023 - brought forward	**4,671**	**41,013**	**393**	**6,475**	**11,452**	**559**	**5,264**	**647**	**8**	**70,482**
Transfers by absorption	8	21	-	-	-	-	-	-	-	**29**
Prior period adjustments recorded in-year	6	(144)	(2)	(65)	(10)	-	(6)	(1)	-	**(222)**
Additions	21	1,322	11	4,558	800	24	417	29	-	**7,182**
Impairments	(372)	(3,235)	(11)	(45)	(16)	-	(9)	(1)	(1)	**(3,690)**
Reversals of impairments	18	439	5	-	6	-	1	-	-	**469**
Reclassifications	20	2,949	2	(3,850)	395	40	280	33	-	**(131)**
Revaluations	78	(329)	11	(8)	(14)	-	(3)	(1)	-	**(266)**
Transfers to assets held for sale	(9)	(23)	(1)	(14)	(17)	(10)	-	-	(1)	**(75)**
Disposals / derecognition	(18)	(51)	(1)	(35)	(995)	(23)	(442)	(64)	(5)	**(1,634)**
Valuation / gross cost at 31 March 2024	**4,423**	**41,962**	**407**	**7,016**	**11,601**	**590**	**5,502**	**642**	**1**	**72,144**
Accumulated depreciation at 1 April 2023 - brought forward	**8**	**952**	**18**	**8**	**6,795**	**356**	**3,160**	**432**	**-**	**11,729**
Prior period adjustments recorded in-year	-	(144)	(2)	(5)	(7)	-	(4)	(1)	-	**(163)**
Provided during the year	-	1,439	12	-	879	61	636	41	-	**3,068**
Impairments	30	166	4	43	3	-	1	-	-	**247**
Reversals of impairments	(4)	(92)	(1)	(33)	(1)	-	-	-	-	**(131)**
Reclassifications	-	(41)	-	(2)	8	-	(29)	-	-	**(64)**
Revaluations	(25)	(1,367)	(14)	(10)	(19)	-	(4)	(1)	-	**(1,440)**
Transfers to assets held for sale	-	(1)	-	-	(12)	(10)	-	-	-	**(23)**
Disposals / derecognition	-	(44)	(1)	-	(974)	(22)	(438)	(64)	-	**(1,543)**
Accumulated depreciation at 31 March 2024	**9**	**868**	**16**	**1**	**6,672**	**385**	**3,322**	**407**	**-**	**11,680**
Net book value at 31 March 2024	**4,414**	**41,094**	**391**	**7,015**	**4,929**	**205**	**2,180**	**235**	**1**	**60,464**
Net book value at 1 April 2023	**4,663**	**40,061**	**375**	**6,467**	**4,657**	**203**	**2,104**	**215**	**8**	**58,753**

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

Of the total net impairments of £3,337 million shown in this note, £1,894 million was charged to operating expenses and £1,443 million to the revaluation reserve.

Note 1.24 explains some estimation uncertainties relating to property valuations and explores the impact of these on these consolidated accounts.

Note 14.2 Property, plant and equipment - 2022/23

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Valuation / gross cost at 1 April 2022	**4,808**	**37,551**	**361**	**5,508**	**11,484**	**536**	**5,001**	**629**	**4**	**65,882**
IFRS 16 implementation: reclassification to right of use assets	(44)	(170)	(15)	(1)	(385)	(1)	(82)	(12)	-	**(710)**
Transfers by absorption	8	9	-	-	-	-	-	-	-	**17**
Previous prior period adjustments accounted for in 2022/23	(1)	(21)	-	(7)	(15)	-	(22)	-	-	**(66)**
Additions	51	1,322	8	4,297	795	19	479	31	4	**7,006**
Impairments	(284)	(1,768)	(11)	(201)	(11)	-	(37)	(5)	-	**(2,317)**
Reversals of impairments	40	736	7	-	1	-	-	-	-	**784**
Reclassifications	9	2,340	17	(3,127)	327	39	272	41	-	**(82)**
Revaluations	112	1,176	27	12	-	-	(4)	(1)	-	**1,322**
Transfers to assets held for sale	(6)	(4)	(1)	-	(4)	(10)	-	-	-	**(25)**
Disposals / derecognition	(22)	(158)	-	(6)	(740)	(24)	(343)	(36)	-	**(1,329)**
Valuation / gross cost at 31 March 2023	**4,671**	**41,013**	**393**	**6,475**	**11,452**	**559**	**5,264**	**647**	**8**	**70,482**
Accumulated depreciation at 1 April 2022	**-**	**1,030**	**19**	**14**	**6,941**	**328**	**2,965**	**434**	**-**	**11,731**
IFRS 16 implementation: reclassification to right of use assets	-	(8)	-	-	(224)	-	(44)	(3)	-	**(279)**
Previous prior period adjustments accounted for in 2022/23	-	(61)	-	-	(13)	-	(16)	-	-	**(90)**
Provided during the year	-	1,292	11	-	825	60	596	40	-	**2,824**
Impairments	29	90	(1)	18	7	-	(1)	-	-	**142**
Reversals of impairments	(2)	(289)	(2)	(35)	1	-	-	-	-	**(327)**
Reclassifications	-	(23)	-	-	(15)	-	2	(3)	-	**(39)**
Revaluations	(19)	(1,055)	(9)	11	(2)	-	(5)	(1)	-	**(1,080)**
Transfers to assets held for sale	-	-	-	-	(3)	(10)	-	-	-	**(13)**
Disposals / derecognition	-	(24)	-	-	(722)	(22)	(337)	(35)	-	**(1,140)**
Accumulated depreciation at 31 March 2023	**8**	**952**	**18**	**8**	**6,795**	**356**	**3,160**	**432**	**-**	**11,729**
Net book value at 31 March 2023	**4,663**	**40,061**	**375**	**6,467**	**4,657**	**203**	**2,104**	**215**	**8**	**58,753**
Net book value at 1 April 2022	**4,808**	**36,521**	**342**	**5,494**	**4,543**	**208**	**2,036**	**195**	**4**	**54,151**

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

Of the total net impairments of £1,348 million shown in this note, £839 million was charged to operating expenses and £509 million to the revaluation reserve.

Note 14.3 Property, plant and equipment financing - 31 March 2024

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Net book value at 31 March 2024										
Owned - purchased	4,295	30,220	302	6,551	4,352	204	2,163	218	1	**48,306**
Owned - donated/granted	88	1,647	17	448	419	1	12	17	-	**2,649**
On-SoFP PFI contracts and other service concession arrangements	31	9,227	69	16	158	-	5	-	-	**9,506**
Off SoFP PFI residual interests	-	-	3	-	-	-	-	-	-	**3**
NBV total at 31 March 2024	**4,414**	**41,094**	**391**	**7,015**	**4,929**	**205**	**2,180**	**235**	**1**	**60,464**

Note 14.4 Property, plant and equipment financing - 31 March 2023

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Net book value at 31 March 2023										
Owned - purchased	4,537	29,210	296	6,019	4,066	202	2,089	205	8	**46,632**
Owned - donated/granted	94	1,508	14	444	439	1	10	10	-	**2,520**
On-SoFP PFI contracts and other service concession arrangements	32	9,343	62	4	152	-	5	-	-	**9,598**
Off SoFP PFI residual interests	-	-	3	-	-	-	-	-	-	**3**
NBV total at 31 March 2023	**4,663**	**40,061**	**375**	**6,467**	**4,657**	**203**	**2,104**	**215**	**8**	**58,753**

Note 14.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor)

Property, plant and equipment disclosed in this note includes assets which are subject to operating leases where providers grant use of assets to third parties. It is not possible to accurately quantify the total value of such assets due to the impracticability in apportioning whole site valuations to partial assets subject to such leases. In the public sector, specialised assets are valued at the depreciated replacement cost of a modern equivalent asset required to replace the existing service potential of the trusts assets as set out in accounting policy 1.7.

Note 15 Leases - NHS providers as lessees

The majority of NHS provider lease arrangements are for the use of land and buildings ranging from integrated care units to office accommodation, and used by providers to deliver clinical and non-clinical services. Approximately 43% (2022/23: 45%) of lease arrangements based on the value of lease obligations at the reporting date are with NHS Property Services, a Government-owned property management company maintaining approximately 10% of the total NHS estate. The remaining leases are mainly with private landlords under commercial terms. Across providers there is a wide variety of lease terms on individual leases. More detail on the nature of lease arrangements including any restrictions or covenants imposed can be found in the accounts of individual NHS providers.

Note 15.1 Right of use assets - 2023/24

	Property (land and buildings) **£m**	**Plant & machinery £m**	**Transport equipment £m**	**Information technology £m**	**Furniture & fittings £m**	**Intangible assets £m**	**Total £m**	Of which: leased from DHSC group bodies **£m**
Valuation / gross cost at 1 April 2023 - brought forward	**5,796**	**945**	**161**	**120**	**12**	**11**	**7,045**	**2,885**
Prior period adjustments recorded in-year	(79)	3	-	-	-	-	**(76)**	(42)
Additions	402	128	43	24	-	-	**597**	74
Remeasurements of the lease liability	219	8	1	2	-	-	**230**	122
Movements in provisions for restoration / removal costs	22	-	-	-	-	-	**22**	4
Impairments	(189)	-	-	(1)	-	-	**(190)**	(146)
Reversals of impairments	4	-	-	-	-	-	**4**	1
Reclassifications	(13)	27	-	1	-	-	**15**	9
Revaluations	(128)	1	-	-	-	-	**(127)**	(115)
Disposals / derecognition	(99)	(53)	(9)	(9)	1	-	**(169)**	(61)
Valuation / gross cost at 31 March 2024	**5,935**	**1,059**	**196**	**137**	**13**	**11**	**7,351**	**2,731**
Accumulated depreciation at 1 April 2023 - brought forward	**665**	**359**	**49**	**64**	**4**	**8**	**1,149**	**370**
Prior period adjustments recorded in-year	(2)	1	-	-	-	-	**(1)**	-
Provided during the year	601	166	55	21	2	-	**845**	303
Impairments	28	-	-	-	-	-	**28**	12
Reversals of impairments	(8)	-	-	-	-	-	**(8)**	(3)
Reclassifications	(4)	(1)	1	(1)	-	-	**(5)**	-
Revaluations	(150)	-	-	-	-	-	**(150)**	(122)
Disposals / derecognition	(35)	(45)	(9)	(8)	-	1	**(96)**	(15)
Accumulated depreciation at 31 March 2024	**1,095**	**480**	**96**	**76**	**6**	**9**	**1,762**	**545**
Net book value at 31 March 2024	**4,840**	**579**	**100**	**61**	**7**	**2**	**5,589**	**2,186**
Net book value at 1 April 2023	**5,131**	**586**	**112**	**56**	**8**	**3**	**5,896**	**2,515**

Of the total net impairments of £206 million shown in this note, £199 million was charged to operating expenses and £7 million to the revaluation reserve.

Note 15.2 Right of use assets - 2022/23

IFRS 16 Leases was implemented on 1 April 2022. The standard was applied using a modified retrospective approach without restatement of comparatives. Right of use assets and lease liabilities were created for existing operating leases at the date of initial application.

	Property (land and buildings)	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Intangible assets**	**Total**	Of which: leased from DHSC group bodies
Valuation / gross cost	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
IFRS 16 implementation: reclassification of existing leased assets from PPE or intangible assets	230	386	1	83	12	22	**734**	7
IFRS 16 implementation: adjustments for existing operating leases / subleases	5,200	435	121	30	-	-	**5,786**	2,853
Additions	395	146	39	15	-	-	**595**	33
Remeasurements of the lease liability	75	8	-	-	-	-	**83**	38
Movements in provisions for restoration / removal costs	20	-	-	-	-	-	**20**	2
Impairments	(101)	-	-	(3)	-	-	**(104)**	(40)
Reversals of impairments	2	-	-	-	-	-	**2**	-
Reclassifications	(7)	(3)	-	(4)	-	-	**(14)**	-
Revaluations	6	1	-	-	-	-	**7**	(2)
Disposals / derecognition	(24)	(28)	-	(1)	-	(11)	**(64)**	(6)
Valuation / gross cost at 31 March 2023	**5,796**	**945**	**161**	**120**	**12**	**11**	**7,045**	**2,885**
Accumulated depreciation								
IFRS 16 implementation: reclassification of existing leased assets from PPE or intangible assets	8	225	-	44	3	18	**298**	-
Provided during the year	580	158	48	23	1	1	**811**	306
Impairments	102	-	-	(2)	-	-	**100**	68
Reversals of impairments	(1)	-	-	-	-	-	**(1)**	(1)
Reclassifications	-	(2)	-	(1)	-	-	**(3)**	-
Revaluations	(20)	1	-	-	-	-	**(19)**	(3)
Disposals / derecognition	(4)	(23)	1	-	-	(11)	**(37)**	-
Accumulated depreciation at 31 March 2023	**665**	**359**	**49**	**64**	**4**	**8**	**1,149**	**370**
Net book value at 31 March 2023	**5,131**	**586**	**112**	**56**	**8**	**3**	**5,896**	**2,515**

Of the total net impairments of £201 million shown in this note, £192 million was charged to operating expenses and £9 million to the revaluation reserve.

Note 15.3 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position. A breakdown of borrowings is disclosed in note 21.

	2023/24 £m	2022/23 £m
Carrying value at 1 April	**5,760**	**351**
IFRS 16 implementation: adjustments for existing operating leases		5,545
Prior period adjustments recorded in-year	-	(1)
Lease additions	574	590
Lease liability remeasurements	230	83
Interest charge arising in year	94	75
Early terminations	(62)	(20)
Lease payments (cash outflows)	(906)	(863)
Carrying value at 31 March	**5,690**	**5,760**

Lease payments for short term leases, leases of low value underlying assets and variable lease payments not dependent on an index or rate are recognised in operating expenditure and disclosed in Note 7.1.

Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Income generated from subleasing right of use assets in 2023/24 was £1 million (2022/23: £2 million) and is included within revenue from operating leases in note 4.

Note 15.4 Maturity analysis of future lease payments at 31 March 2024

	31 March 2024		31 March 2023	
	Total £m	Of which leased from DHSC group bodies: **£m**	**Total**	Of which leased from DHSC group bodies:
Undiscounted future lease payments payable in:				
- not later than one year;	839	311	828	314
- later than one year and not later than five years;	2,452	1,106	2,510	1,130
- later than five years.	3,014	1,193	2,956	1,292
Total gross future lease payments	**6,305**	**2,610**	**6,294**	**2,736**
Finance charges allocated to future periods	(615)	(138)	(534)	(126)
Net lease liabilities at 31 March	**5,690**	**2,472**	**5,760**	**2,610**

A description of how liquidity risk is managed in the provider sector to ensure these liabilities can be met as they fall due is disclosed in Note 27.6.

Note 16 Inventories

	31 March 2024 £m	31 March 2023 £m
Drugs	538	511
Work in progress	2	2
Consumables	854	786
Energy	18	20
Other	47	55
Total inventories	**1,459**	**1,374**

Inventories recognised in expenditure for the year were £14,460 million (2022/23: £13,330 million). Write-downs of inventories recognised in expenditure for the year were £19 million (2022/23: £19 million).

Note 17.1 Receivables

	31 March 2024 £m	31 March 2023 £m
Current		
Contract receivables*	4,091	5,552
Contract assets	3	3
Capital receivables	39	71
Allowance for impaired contract receivables / assets	(631)	(605)
Allowance for other impaired receivables	(31)	(25)
Deposits and advances	4	11
Prepayments	1,221	1,115
Interest receivable	18	14
Finance lease receivables	3	2
PDC dividend receivable	130	54
VAT receivable	470	478
Corporation tax receivable	1	1
Other receivables	247	197
NHS charitable funds receivables	7	6
Total current receivables	**5,572**	**6,874**
Non-current		
Contract receivables	217	205
Contract assets	5	5
Capital receivables	25	17
Allowance for impaired contract receivables / assets	(40)	(36)
Deposits and advances	7	6
Prepayments	300	277
Finance lease receivables	11	10
VAT receivable	1	1
Corporation tax receivable	1	1
Other receivables	157	173
Total non-current receivables	**684**	**659**
Of which receivable from NHS and DHSC group bodies		
Current	2,068	3,690
Non-current	127	158

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

*Current contract receivables at 31 March 2023 included £2,490 million of accrued funding for the additional 2022/23 agenda for change pay award detailed in Note 3.1.

Note 17.2 Allowances for credit losses

Where there is doubt over the recoverability of receivables, the carrying value of receivables is impaired by recognising an allowance for expected losses.

	2023/24		2022/23	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£m	£m	£m	£m
Allowances as at 1 April	**641**	**25**	**605**	**25**
New allowances arising	234	9	207	7
Changes in existing allowances	(4)	1	7	(2)
Reversals of allowances	(131)	(2)	(118)	(3)
Utilisation of allowances (write offs)	(69)	(2)	(60)	(2)
Allowances as at 31 March	**671**	**31**	**641**	**25**

Note 18.1 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2023/24	2022/23
	£m	£m
At 1 April	**12,846**	**15,579**
Adjustments to prior period accounted for in-year *	(94)	1
Transfers by absorption	(3)	-
Net change in year	(1,947)	(2,734)
At 31 March	**10,802**	**12,846**
Broken down into:		
Cash at commercial banks and in hand (excluding charitable funds)	159	173
Cash with the Government Banking Service (excluding charitable funds)	10,183	12,265
Deposits with the National Loans Fund (excluding charitable funds)	371	248
Other current investments (excluding charitable funds)	-	2
NHS charitable funds cash and cash equivalents	89	158
Total cash and cash equivalents as in Statement of Financial Position	**10,802**	**12,846**
Bank overdrafts	-	-
Total cash and cash equivalents as in Statement of Cash Flows	**10,802**	**12,846**

** This adjustment reflects a local NHS provider's reclassification of a prior year NLF deposit as a short term investment rather than a cash equivalent. The adjustment is not considered material to the consolidated provider accounts and so the prior year balance has not been restated.

Note 18.2 Third party assets

The balance of third party assets, including patients' money held within the NHS providers' bank accounts at 31 March 2024 was £37 million (31 March 2023: £37 million). These have been excluded from the Consolidated Statement of Financial Position as it is not assets of the NHS provider sector. Neither NHS providers nor Government more widely has a beneficial interest in these assets.

Note 19 Trade and other payables

	31 March 2024 £m	31 March 2023 £m
Current		
Trade payables	3,004	2,755
Capital payables	2,136	1,974
Accruals*	6,965	9,671
Receipts in advance	46	62
PFI lifecycle replacement received in advance	-	1
Social security costs	1,022	907
VAT payable	19	17
Other taxes payable	730	607
PDC dividend payable	12	41
Pension contributions payable	987	897
Other payables	593	725
NHS charitable funds trade and other payables	14	12
Total current trade and other payables	**15,528**	**17,669**
Non-current		
Trade payables	2	-
Capital payables	22	8
Accruals	3	1
Receipts in advance	10	9
Other payables	42	14
Total non-current trade and other payables	**79**	**32**
Of which payable to NHS and DHSC group bodies		
Current	424	459
Non-current	-	-

* At 31 March 2023, NHS providers accrued the costs of implementing the additional 2022/23 agenda for change pay award. As detailed in Note 3.1, providers also accrued £2,490 million of funding in respect of these costs.

Note 20 Other liabilities

	31 March 2024 £m	31 March 2023 £m
Current		
Deferred income: contract liability	1,579	1,740
Deferred grants	75	61
Deferred PFI income/credits	3	5
Deferred income: other	40	53
NHS charitable funds other liabilities	1	2
Total other current liabilities	**1,698**	**1,861**
Non-current		
Deferred income: contract liability	170	140
Deferred grants	2	2
Deferred PFI income/credits	55	58
Lease incentives	3	3
Deferred income: other	15	14
Total other non-current liabilities	**245**	**217**

Note 21 Borrowings

	31 March 2024 £m	31 March 2023 £m
Current		
Loans from the Department of Health and Social Care	283	224
Other loans	47	38
Lease liabilities	783	778
Obligations under PFI, LIFT or other service concession contracts*	606	340
Total current borrowings	**1,719**	**1,380**
Non-current		
Loans from the Department of Health and Social Care	1,934	2,160
Other loans	259	296
Lease liabilities	4,907	4,982
Obligations under PFI, LIFT or other service concession contracts*	13,317	7,321
Total non-current borrowings	**20,417**	**14,759**

*NHS providers have applied the liability measurement principles of *IFRS 16 Leases* to PFI, LIFT and other service concession liabilities from 1 April 2023 without restatement of comparatives. More information about the impact of this change can be found in Note 25.4.

Note 21.1 Reconciliation of liabilities arising from financing activities - 2023/24

	Loans from DHSC £m	Other loans £m	Lease liabilities £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2023	**2,384**	**334**	**5,760**	**7,662**	**16,140**
Cash movements:					
Financing cash flows - payments and receipts of principal	(167)	(27)	(813)	(621)	**(1,628)**
Financing cash flows - payments of interest	(55)	(10)	(93)	(750)	**(908)**
Non-cash movements:					
Application of IFRS 16 measurement principles to PFI liabilities on 1 April 2023	-	-	-	5,345	**5,345**
Adjustments to prior year accounted for in-year	-	-	(3)	-	**(3)**
Transfers by absorption	-	-	-	3	**3**
Additions	-	-	574	4	**578**
Lease liability remeasurements	-	-	230	-	**230**
Remeasurement of PFI / other service concession liabilities resulting from change in index or rate	-	-	-	1,563	**1,563**
Application of effective interest rate	55	9	94	713	**871**
Early terminations	-	-	(59)	(31)	**(90)**
Other changes	-	-	-	35	**35**
Carrying value at 31 March 2024	**2,217**	**306**	**5,690**	**13,923**	**22,136**

Note 21.2 Reconciliation of liabilities arising from financing activities - 2022/23

	Loans from DHSC £m	Other loans £m	Lease liabilities £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2022	**2,552**	**428**	**351**	**8,014**	**11,345**
Cash movements:					
Financing cash flows - payments and receipts of principal	(167)	(8)	(791)	(338)	**(1,304)**
Financing cash flows - payments of interest	(60)	(9)	(72)	(431)	**(572)**
Non-cash movements:					
Impact of implementing IFRS 16 on 1 April 2022	-	-	5,545	-	**5,545**
Adjustments to prior year accounted for in-year	-	-	(1)	1	**-**
Transfers by absorption	-	-	-	(2)	**(2)**
Additions	-	-	592	15	**607**
Lease liability remeasurements	-	-	83	-	**83**
Application of effective interest rate	59	9	75	431	**574**
Early terminations	-	-	(21)	(26)	**(47)**
Other changes	-	(86)	(1)	(2)	**(89)**
Carrying value at 31 March 2023	**2,384**	**334**	**5,760**	**7,662**	**16,140**

Note 22.1 Provisions for liabilities and charges

	31 March 2024		31 March 2023	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	37	305	36	327
Other legal claims	74	10	86	15
Restructurings	11	5	13	5
Equal Pay	33	1	13	4
Redundancy	41	1	35	1
Other	619	377	577	439
Total	**815**	**699**	**760**	**791**

Note 22.2 Movement in provisions for liabilities and charges

	Pensions	Other legal claims	Restructuring	Equal Pay	Redundancy	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2023	**363**	**101**	**18**	**17**	**36**	**1,016**	**1,551**
Change in the discount rate	(16)	-	-	-	-	(24)	**(40)**
Arising during the year	36	42	9	23	27	340	**477**
Utilised during the year	(37)	(17)	(5)	(1)	(7)	(128)	**(195)**
Reversed unused	(11)	(42)	(6)	(5)	(14)	(219)	**(297)**
Unwinding of discount	7	-	-	-	-	11	**18**
At 31 March 2024	**342**	**84**	**16**	**34**	**42**	**996**	**1,514**
Expected timing of cash flows:							
- not later than one year;	37	74	11	33	41	619	**815**
- later than one year and not later than five years;	137	6	5	-	1	179	**328**
- later than five years.	168	4	-	1	-	198	**371**
Total	**342**	**84**	**16**	**34**	**42**	**996**	**1,514**

- Pension provisions relate to staff who have retired early from the NHS Pensions Scheme and are calculated in accordance with DHSC guidance.
- Other legal claims include personal legal claims that have been lodged against NHS providers with NHS Resolution but not yet agreed and therefore not included in provisions held by NHS Resolution.
- Equal pay provisions include provisions for unresolved claims relating to employment contracts.
- Redundancy and restructuring provisions are included by trusts who are undergoing change in their organisational structures.
- Included within other provisions are charges arising from the provision of services, the cost of PFI terminations, dilapidations associated with leases and other contract challenges.

Note 22.3 Clinical negligence liabilities

NHS Resolution manages clinical and some non-clinical claims on behalf of NHS providers. For this to occur, providers pay an annual premium to NHS Resolution, who then assumes responsibility for settling claims on providers' behalf. This is called the Clinical Negligence Scheme for Trusts (CNST) which covers clinical negligence claims for incidents occurring on or after 1 April 1995. The Existing Liabilities Scheme (ELS) is centrally funded by DHSC and covers clinical negligence claims against NHS organisations for incidents occurring before 1 April 1995.

Under these schemes, most liabilities for clinical negligence are not included in providers' statements of financial position. Instead they separately disclose the amounts relating to clinical negligence cases for their trust which are included in the provisions of NHS Resolution.

As at 31 March 2024, NHS Resolution held provisions for clinical negligence liabilities totalling £31,343 million for CNST (2022/23: £37,155 million) and £635 million for ELS (2022/23: £801 million) on behalf of NHS providers. NHS Resolution's annual report and accounts provides more information on overall liabilities and explanations for movements between years:
https://resolution.nhs.uk/corporate-reports/

Note 23 Contingent assets and liabilities

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

	31 March 2024 £m	31 March 2023 £m
Value of contingent liabilities		
NHS Resolution legal claims	(5)	(6)
Employment tribunal and other employee related litigation	(8)	(12)
Redundancy	(2)	(1)
Other	(98)	(16)
Gross value of contingent liabilities	**(113)**	**(35)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(113)**	**(35)**
Net value of contingent assets	1	-

Note 24.1 Contractual capital commitments

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

	31 March 2024 £m	31 March 2023 £m
Property, plant and equipment	2,409	2,271
Intangible assets	120	145
Total	**2,529**	**2,416**

Note 24.2 Other financial commitments

NHS providers are committed to making the following payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements):

	31 March 2024	31 March 2023
Payments falling due:	£m	£m
- not later than 1 year;	408	376
- after 1 year and not later than 5 years;	514	367
- thereafter.	126	64
Total	**1,048**	**807**

Note 25 On-SoFP PFI, LIFT and other service concession arrangements

Note 25.1 On-SoFP PFI, LIFT and other service concession obligations

NHS providers recognise the following obligations in respect of assets included in the on-SoFP schemes:

	31 March 2024	31 March 2023 restated*
	£m	£m
Gross PFI, LIFT or other service concession liabilities	**21,289**	**11,938**
Of which liabilities are due		
- not later than one year;	1,335	748
- later than one year and not later than five years;	5,180	2,811
- later than five years.	14,774	8,379
Finance charges allocated to future periods	(7,366)	(4,276)
Net PFI, LIFT or other service concession arrangement obligation	**13,923**	**7,662**
- not later than one year;	606	340
- later than one year and not later than five years;	2,625	1,371
- later than five years.	10,692	5,950

*11 providers have restated the gross liability (undiscounted) at 31 March 2023 to remove contingent rent that was erroneously included in the minimum lease payments prior to the 1 April 2023 accounting policy change. This restatement has reduced the prior year gross liability disclosed by £1,519 million (previously £13,457 million). The contingent rent was included as finance charges allocated to future periods therefore there is no impact on the discounted net liability disclosed on the statement of financial position at 31 March 2023.

Note 25.2 Total service concession arrangement commitments

NHS providers are committed to making the following total payments in respect of on-Statement of Financial Position PFI, LIFT and other service concession arrangements:

	31 March 2024	31 March 2023 restated*
Total future payments due in:	**£m**	**£m**
- not later than one year;	2,745	2,531
- later than one year and not later than five years;	10,980	10,255
- later than five years.	32,160	33,706
Total	**45,885**	**46,492**

	Number	Number
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	145	149
Of which schemes with total future commitment in excess of £500 million	26	25

*31 providers have restated the total commitments at 31 March 2023, removing estimates of future inflation to consistently measure these commitments at contract prices at the reporting date. This restatement is a net reduction of the prior year total commitments disclosed by £3,927 million (previously £50,419 million).

Note 25.3 Analysis of amounts paid to service concession operators

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

	2023/24 £m	2022/23 £m
Unitary payment paid to service concession operator	**2,740**	**2,454**
Consisting of:		
- Interest charge	713	431
- Repayment of balance sheet obligation	620	339
- Service element	1,156	1,072
- Capital lifecycle maintenance	183	108
- Revenue lifecycle maintenance	8	15
- Contingent rent	2	445
- Addition to lifecycle prepayment	58	44

Note 25.4 Initial application of IFRS 16 liability measurement principles to on-SoFP PFI, LIFT and other service concession liabilities

IFRS 16 liability measurement principles have been applied to PFI, LIFT and other service concession arrangement liabilities from 1 April 2023. When payments for the asset are uplifted for inflation, the imputed lease liability recognised on the SoFP is remeasured to reflect the increase in future payments to current prices. Such increases were previously recognised as contingent rent as incurred.

The change in measurement basis has been applied retrospectively without restatement of comparatives and with the cumulative impact on 1 April 2023 recognised in the income and expenditure reserve.

Impact of change in accounting policy on the allocation of unitary payments

This table demonstrates the incremental impact of applying the new accounting policy on the allocation of the unitary charges paid to the operator in 2023/24.

	IFRS 16 basis (new basis) 2023/24 £m	IAS 17 basis (old basis) 2023/24 £m	Impact of change 2023/24 £m
Unitary payment payable to service concession operator	**2,740**	**2,740**	**-**
Consisting of:			
- Interest charge	713	410	303
- Repayment of balance sheet obligation	620	337	283
- Service element	1,156	1,170	(14)
- Lifecycle maintenance	191	191	-
- Contingent rent	2	574	(572)
- Addition to lifecycle prepayment	58	58	-

Impact of change in accounting policy on primary statements

This table demonstrates the incremental impact of applying the new accounting policy on the primary statements in 2023/24.

Impact of change on 31 March 2024 Statement of Financial Position:	**31 March 2024 £m**
Increase in PFI / LIFT and other service concession liabilities	(6,614)
Decrease in PDC dividend payable / increase in PDC dividend receivable	99
Increase in cash and cash equivalents (impact of PDC dividend only)	76
Impact on net assets as at 31 March 2024	**(6,439)**

Impact of change on 2023/24 Statement of Comprehensive Income:	**2023/24 £m**
PFI liability remeasurement charged to finance costs	(1,563)
Increase in interest arising on PFI liability	(303)
Reduction in contingent rent	572
Reduction in service charge	14
Impact on gain arising from early termination	11
Reduction in PDC dividend charge	175
Net impact on surplus / (deficit)	**(1,094)**

Impact of change on 2023/24 Statement of Changes in Equity:	**2023/24 £m**
Adjustment to reserves for the cumulative retrospective impact on 1 April 2023	(5,345)
Net impact on 2023/24 surplus / deficit	(1,094)
Impact on equity as at 31 March 2024	**(6,439)**

Impact of change on 2023/24 Statement of Cash Flows:	**2023/24 £m**
Decrease in cash outflows from operating activities	14
Increase in cash outflows for capital element of PFI / LIFT	(283)
Decrease in cash outflows for financing element of PFI / LIFT	269
Decrease in cash outflows for PDC dividend	76
Net impact on cash flows	**76**

Note 26 Off-SoFP PFI, LIFT and other service concession arrangements

NHS providers incurred the following charges in respect of off-Statement of Financial Position PFI and LIFT schemes:

	31 March 2024 £m	**31 March 2023 £m**
Charge in respect of the off SoFP PFI, LIFT or other service concession arrangement for the period	1	1
Commitments in respect of off-SoFP PFI, LIFT or other service concession arrangements payable in:		
- not later than one year;	2	2
- later than one year and not later than five years;	2	3
- later than five years.	4	4
Total	**8**	**9**

Note 27 Financial instruments

Note 27.1 Financial assets as at 31 March 2024

Carrying values of financial assets as at 31 March 2024	Financial assets at amortised cost £m	Financial assets at fair value through I&E £m	Financial assets at fair value through OCI £m	Total £m
Receivables excluding non-financial assets	4,049	-	-	**4,049**
Financial assets / investments	181	2	5	**188**
Cash and cash equivalents at bank and in hand*	10,713	-	-	**10,713**
NHS charitable funds financial assets	115	126	40	**281**
Total at 31 March 2024	**15,058**	**128**	**45**	**15,231**

Note 27.2 Financial assets as at 31 March 2023

Carrying values of financial assets as at 31 March 2023	Financial assets at amortised cost £m	Financial assets at fair value through I&E £m	Financial assets at fair value through OCI £m	Total £m
Receivables excluding non-financial assets	5,484	-	-	**5,484**
Financial assets / investments	89	1	4	**94**
Cash and cash equivalents at bank and in hand*	12,688	-	-	**12,688**
NHS charitable funds financial assets	182	128	44	**354**
Total at 31 March 2023	**18,443**	**129**	**48**	**18,620**

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

Note 27.3 Financial liabilities

Carrying values of financial liabilities	31 March 2024 £m	31 March 2023 £m
Loans from the Department of Health and Social Care	2,217	2,384
Obligations under PFI, LIFT and other service concession contracts	13,923	7,662
Obligations under leases	5,690	5,760
Other borrowings	306	334
Trade and other payables excluding non-financial liabilities	12,356	15,108
Other financial liabilities	2	2
Provisions under contract	427	458
NHS charitable funds financial liabilities	11	8
Total financial liabilities	**34,932**	**31,716**

All financial liabilities are held at amortised cost.

Note 27.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted future cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

Financial liabilities fall due in:	31 March 2024 £m	31 March 2023 £m
one year or less;	15,166	17,313
more than one year but not more than five years;	8,699	6,905
more than five years.	19,358	14,182
Total financial liabilities	**43,223**	**38,400**

Note 27.5 Fair values of financial instruments

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

Note 27.6 Financial risk management

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

Liquidity risk

The level of income generated by NHS providers is dependent on the contractual arrangements they have with their commissioners, whose resources are voted on annually by Parliament. Contract prices are determined by the NHS Payment System which is based on nationally collected cost data and updated annually for inflation to reflect the efficient cost of providing healthcare.

NHS providers are required by legislation to carry out their functions effectively, efficiently and economically and under their licence conditions they are required to maintain working capital balances sufficient to enable the continued provision of services ensuring they are able to continue as a going concern. NHS England oversees the risk of individual NHS providers breaching these and other licence conditions relating to finance by reviewing a range of financial information and categorising each trust according to our NHS Oversight Framework. It may provide mandated support to providers where required. Where providers have difficulty maintaining necessary cash balances, cash support may be provided by DHSC to cover necessary and essential expenditure. Where support is received, providers must work with NHS England to improve their financial position.

Details of the NHS Oversight Framework used by NHS England for 2023/24 to monitor these risks can be accessed on the NHS England website (https://www.england.nhs.uk/publication/nhs-oversight-framework-segmentation/).

As disclosed within the accounting policies at Note 1.23, these consolidated accounts are prepared on a going concern basis and we do not consider there to be a material uncertainty over going concern. It is deemed that there is not a risk that the consolidated provider sector would fail to meet its liabilities as they fall due.

Credit risk

The vast majority of the NHS provider sector's income is generated from public sector bodies and as such is exposed to low credit risk as these bodies are financed through taxation.

NHS providers are permitted to generate income derived from private patients and overseas visitors without reciprocal arrangements, however this income contributes only 0.73% of total income from patient care activities generated in 2023/24 (2022/23: 0.66%). Other sources of income from non-public sector bodies amount to a small proportion of total provider income. Accordingly, the effective credit risk posed by income derived from private and overseas patients or non-public sector entities to the sector is low. Within cash and cash equivalents, £10.6 billion is held with the Government Banking Service and National Loans Fund. Individual providers have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2024 are in receivables, as disclosed in the receivables note.

Currency risk

The NHS provider sector operates principally within England and as such has only negligible amounts of transactions, assets and liabilities which are not in Sterling. Therefore the NHS provider sector has low exposure to currency risk.

Interest rate risk

NHS providers have the power to enter into loans and working capital facilities with commercial lenders. NHS providers are also able to borrow from DHSC. The term of DHSC loans can range up to 25 years but individual DHSC loan products may be shorter, with the potential for replacement DHSC loans to be at a different interest rate. However given the total interest paid to DHSC by NHS providers (see note 11) this is not a material risk to the consolidated NHS provider accounts.

Note 28 Analysis of NHS charitable funds reserves

	31 March 2024 £m	31 March 2023 £m
Restricted funds:		
Endowment funds	12	11
Other restricted income funds	79	100
Unrestricted funds:		
Unrestricted income funds	172	236
Revaluation reserve	1	1
Total	**264**	**348**

NHS charitable funds are consolidated by 41 NHS providers where the trust determines they have control (2022/23: 44) as outlined in accounting policy 1.1. Other providers may also have charities meeting the definition of local control that are not locally consolidated on the grounds of materiality.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by the donor, for example where the donor has specified that their donation should be spent on a specified ward, patients, nurses or project fund. Endowment funds are funds which the trustees are required to invest or to keep and use for the charity's purposes.

Unrestricted income funds comprise those funds that the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include general funds, where the donor has not specified or restricted the use the charity may make of their donation. General funds additionally generate income from Gift Aid, investment income, interest and donations given specifically to cover running costs.

Note 29.1 Losses and special payments

	2023/24		2022/23	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
Losses				
Cash losses	2,992	2.8	3,293	3.8
Fruitless payments	544	2.1	669	1.2
Bad debts and claims abandoned	28,765	61.3	30,121	51.3
Stores losses and damage to property	7,334	30.9	8,325	26.3
Total losses	**39,635**	**97.1**	**42,408**	**82.6**
Special payments				
Extra-contractual payments	12	0.1	37	-
Extra-statutory and extra-regulatory payments	2	1.3	7	-
Compensation payments under court order or legally binding arbitration award	401	2.6	412	2.6
Special severance payments	51	0.9	66	1.6
Ex-gratia payments	6,578	12.1	7,385	46.9
Total special payments	**7,044**	**17.0**	**7,907**	**51.1**
Total losses and special payments	**46,679**	**114.1**	**50,315**	**133.7**

The total losses disclosed here are higher than the amounts included in the line 'Losses, ex gratia & special payments' in note 7.1 as NHS providers include some losses in other lines within that note.

Note 29.2 Losses and special payments in excess of £300,000

HM Treasury requires disclosure of losses or special payments in excess of £0.3 million. In 2023/24 15 trusts reported 16 individual losses or special payments in excess of £0.3 million, totalling £13.3 million:

- The following 8 trusts recorded a total of £4.3 million of pharmacy losses and obsolete stock write-offs:
  - Barking, Havering and Redbridge University Hospitals NHS Trust (£0.4 million)
  - Guy's and St Thomas' NHS Foundation Trust (£0.6 million)
  - North Middlesex University Hospital NHS Trust (£0.5 million)
  - North West Anglia NHS Foundation Trust (£0.8 million)
  - Northern Care Alliance NHS Foundation Trust (£0.7 million)
  - Portsmouth Hospitals University NHS Trust (£0.4 million)
  - Royal Surrey NHS Foundation Trust (£0.6 million)
  - Worcestershire Acute Hospitals NHS Trust (£0.3 million)
- University Hospitals Sussex NHS Foundation Trust recorded £1.5 million of losses due to fire damage.
- Nottingham University Hospitals NHS Trust wrote off £0.3 million of outstanding invoices due from an overseas visitor.
- Sandwell And West Birmingham Hospitals NHS Trust wrote off £1.5 million of outstanding invoices due from Birmingham City Council for delayed transfers of care.
- Whittington Health NHS Trust recorded a loss of £1.1 million following the abandonment of a capital project.
- Leeds Teaching Hospitals NHS Trust made ex gratia payments to staff members relating to VAT refunds on lease car payments totalling £1.1 million. The decision to make these payments is considered a single case.
- East Midlands Ambulance Service NHS Trust paid £1.3 million of incentive payments to staff outside of the national employment contract. The decision to make these payments is considered a single case. Due process was not followed for the approval of these payments resulting in a section 30 referral from the auditor. This referral is detailed in the Consolidated Annual Governance Statement.
- South Western Ambulance Service NHS Foundation Trust recorded a loss of £2.2 million due to a supplier entering administration.

In 2022/23 33 trusts reported 35 individual losses or special payments in excess of £0.3 million, totalling £38.3 million:

- Nottingham University Hospitals NHS Trust recorded a loss of £0.8 million relating to a fine for failings in maternity care.
- South Warwickshire University NHS Foundation Trust recorded a special severance payment of £0.5 million.
- The Royal Marsden NHS Foundation Trust recorded a fraud case of £0.4 million.
- Imperial College Healthcare NHS Trust wrote off £0.3 million of outstanding invoices due from an overseas visitor.
- Sandwell And West Birmingham Hospitals NHS Trust wrote off £1.5 million of outstanding invoices due from a local authority in relation to delayed transfers of care.
- The following 9 trusts recorded a total of £5.1 million of pharmacy losses and obsolete stock write-offs:
  - Buckinghamshire Healthcare NHS Trust (£0.5 million)
  - London North West University Healthcare NHS Trust (£0.3 million)
  - North Middlesex University Hospital NHS Trust (£0.4 million)
  - Northern Care Alliance NHS Foundation Trust (£0.5 million)
  - Royal National Orthopaedic Hospital NHS Trust (£1.2 million)
  - Royal Papworth Hospital NHS Foundation Trust (£0.4 million)
  - Royal Surrey NHS Foundation Trust (£0.6 million)
  - South Warwickshire University NHS Foundation Trust (£0.4 million)
  - The Hillingdon Hospitals NHS Foundation Trust (£0.8 million)
- 19 trusts made ex gratia payments to staff members relating to VAT refunds in lease car schemes totalling £14.9 million. Each trust decision (covering all applicable staff) is counted as a single case in the table in note 29.1.
- In addition, the following 2 trusts made ex gratia payments to their related charities from funds generated by the provider. Prospective approval was not sought by the trusts for these payments and the application for retrospective approval has been declined by HM Treasury. These payments are therefore irregular.
  - The Christie NHS Foundation Trust (£5.8 million)
  - The Royal Marsden NHS Foundation Trust (£9 million)

Note 30 Related parties

DHSC is regarded as a related party of NHS trusts and NHS foundation trusts. Per paragraph 25 of *IAS 24 Related party disclosures,* government-related entities are not required to disclose balances and transactions with entities that have the same government control. The information below was collected from NHS trusts and NHS foundation trusts, who were advised to exclude from the data collection balances and transactions with entities within the whole of government accounts boundary.

Information on related party balances and transactions with charitable funds and group entities below only relates to where the entity has not been consolidated within the local accounts, and thus not consolidated within these consolidated provider accounts.

Details of NHS providers' material related party transactions are shown in the accounts of the individual NHS providers.

	Receivables		Payables	
	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m
Value of balances with board members and key staff (excluding salaries)	-	-	-	-
Value of balances with other related parties:				
Non-consolidated NHS charitable funds	35	23	6	13
Subsidiaries / Associates / Joint ventures	14	13	10	11
Other	66	53	59	52
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
Total	**113**	**87**	**75**	**76**
Value of balances with related parties written off in year	-	-	-	-

	Income		Expenditure	
	2023/24 £m	2022/23 £m	2023/24 £m	2022/23 £m
Value of transactions with board members and key staff (excluding salaries)	-	-	-	-
Value of transactions with other related parties:				
Non-consolidated NHS charitable funds	99	112	7	16
Subsidiaries / Associates / Joint Ventures	41	31	138	202
Other	129	128	247	248
Total	**269**	**271**	**392**	**466**

Note 31 Transfers by absorption

Most business combinations within the public sector are accounted for using absorption accounting principles. Under this approach, balances are written out by the divesting organisation and recorded by the receiving organisation at their book values at the point in transfer. A gain or loss corresponding to the value of net assets is recognised within income and expenditure. More details are provided in accounting policy 1.1.

Transactions accounted for under absorption accounting: 2023/24

Absorption transfers occurring between NHS providers are eliminated within these accounts. The following provider acquisitions were eliminated in 2023/24:

Receiving body	Divesting body	Date of transfer
Somerset NHS Foundation Trust	Yeovil District Hospital NHS Foundation Trust	1 April 2023
Mersey and West Lancashire Teaching Hospitals NHS Trust	Southport and Ormskirk Hospital NHS Trust	1 July 2023

The following absorption transfers occurred between NHS providers and other government bodies during 2023/24 and so reflect absorption movements in or out of the consolidated NHS provider accounts:

Details	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
	£m	£m	£m	£m	£m
Transfers from NHS Property Services	30.0	-	-	(2.7)	**27.3**
Transfer to NHS Property Services	(0.7)	-	-	-	**(0.7)**
Transfer to Wirral Metropolitan Borough Council	(0.9)	-	-	-	**(0.9)**
Transfer out of Yeovil District Hospital NHS Foundation Trust Charitable Fund	-	(3.0)	-	-	**(3.0)**
Totals	**28.4**	**(3.0)**	**-**	**(2.7)**	**22.7**

Transfers from NHS Property Services relate to the transfer of:

- The Ellesmere Port Hospital to Countess of Chester Hospital NHS Foundation Trust
- The Arundel Hospital, Bognor War Memorial Hospital and Zachary Merton Hospital to Sussex Community NHS Foundation Trust
- The Washington Primary Care Centre to South Tyneside and Sunderland NHS Foundation Trust
- North West corner of the Princess Royal Hospital, small car park and grassland to The Shrewsbury And Telford Hospital NHS Trust

The transfer to NHS Property Services relates to the transfer of land at Gill Rise from Lancashire and South Cumbria NHS Foundation Trust.

Wirral Community Health and Care NHS Foundation Trust transferred Adult Social Care Services to Wirral Metropolitan Borough Council. The assets transferring represent the net defined benefit pension asset in the local government pension scheme relating to these staff.

Somerset NHS Foundation Trust acquired Yeovil District Hospital NHS Foundation Trust on 1 April 2023. The acquiring trust does not consolidate the immaterial NHS charitable funds, therefore the charitable funds previously consolidated by Yeovil District Hospital NHS Foundation Trust transferred outside of the NHS provider consolidated group on 1 April 2023.

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

Transactions accounted for under absorption accounting: 2022/23

Absorption transfers occurring between NHS providers are eliminated within these accounts. The following provider acquisition was eliminated in 2022/23:

Receiving body	Divesting body	Date of transfer
Royal Devon University Healthcare NHS Foundation Trust	Northern Devon Healthcare NHS Trust	1 April 2022

The following transfers by absorption occurred between NHS providers and other government bodies during 2022/23 and so reflect absorption movements in or out of the consolidated NHS provider accounts:

Details	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
	£m	£m	£m	£m	£m
Transfers from NHS Property Services (modified absorption)	23.4	-	-	-	**23.4**
Transfer to NHS Property Services	(5.6)	(0.2)	-	1.8	**(4.0)**
Transfer to Greater Manchester Integrated Care Board	-	(6.1)	6.1	-	**-**
Totals	**17.8**	**(6.3)**	**6.1**	**1.8**	**19.4**

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

The transfers to NHS Property Services under normal absorption accounting relate to the transfer of the Richard Hotham Unit from Sussex Partnership NHS Foundation Trust and community services properties from Pennine Care NHS Foundation Trust.

Northern Care Alliance NHS Foundation Trust transferred the Greater Manchester Shared Service to NHS Greater Manchester Integrated Care Board under normal absorption accounting.

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

Note 32 Consolidation of unaudited local provider accounts

As explained in accounting policy note 1.1, these accounts are prepared based on locally audited provider accounts. To expedite national financial reporting, the disclosures in these consolidated accounts were finalised on 1 November 2024 using unaudited financial information for five providers.

Further information on each provider is set out in the consolidated annual governance statement. A summary of the financial statements of these five providers is presented below:

NHS provider	Operating income £m	Employee benefits £m	Other operating expenses £m	Property, plant and equipment £m	All other assets £m	Liabilities £m	Reserves £m
Barking, Havering and Redbridge University Hospitals NHS Trust	907	(590)	(328)	414	121	(552)	(16)
Birmingham Women's and Children's NHS Foundation Trust	706	(379)	(312)	226	246	(216)	256
Croydon Health Services NHS Trust	480	(314)	(179)	232	82	(86)	228
East London NHS Foundation Trust	693	(486)	(212)	270	237	(186)	321
Humber Teaching NHS Foundation Trust	258	(165)	(102)	90	70	(78)	82
Total in providers (before considering additional national procedures)	**3,044**	**(1,934)**	**(1,133)**	**1,232**	**756**	**(1,118)**	**871**

The total of operating income and employee benefits for these five trusts are material so we have performed additional assurance procedures on these, together with procedures on some other balances to reduce overall uncertainties:

- Operating income: amounts from NHS England group entities have been validated to NHS England's financial ledger
- Employee benefits: within these figures, permanent employee costs have been validated to source evidence for payroll expenditure
- Other operating expenditure: clinical negligence premiums paid to NHS Resolution have been agreed to third party confirmations and analytical procedures have been performed over depreciation charges
- Other assets: cash balances held with the Government Banking Service and the National Loans Fund have been validated against third party confirmations
- Public dividend capital reserve: balances validated against central records from the Department of Health and Social Care

Following these procedures we are satisfied that the residual balances over which uncertainty remains does not present a material risk to these consolidated accounts.

The consolidated provider accounts for 2022/23 were finalised using unaudited information for two NHS providers. These two providers have now published audited accounts for 2022/23. Any changes in their financial information was not material and such amendments have been presented as 2023/24 items in these consolidated accounts.

Note 33 Prior period adjustments

Sector-wide changes in accounting policy

In 2023/24, there have been no changes in accounting policy requiring sector-wide restatement of comparatives.

The measurement principles of IFRS 16 have been applied to PFI, LIFT and other service concession liabilities from 1 April 2023. This change in accounting policy has been applied retrospectively without restatement as described in the accounting policy in Note 1.7.

Other prior period adjustments applied by NHS providers

Notes 25.1 and 25.2 relating to the gross (undiscounted) liability for service concession assets and the total commitments to service concession operators have been restated to correct prior period errors. More information in relation to these restatements can be found beneath those notes.

Other local prior period adjustments in individual NHS providers are not material to the consolidated accounts, and so their effects are instead disclosed in the current year.

Note 34 Events after the reporting date

As at 31 March 2024 there were 210 NHS providers.

On 1 October 2024 Dudley Integrated Health and Care NHS Trust was dissolved. Services formerly provided by this trust have transferred to Black Country Healthcare NHS Foundation Trust, The Dudley Group NHS Foundation Trust and Black Country Integrated Care Board.

On 1 October 2024 Southern Health NHS Foundation Trust acquired Solent NHS Trust. Community, mental health and learning disability services formerly provided by Isle of Wight NHS Trust also transferred on 1 May 2024. Following these transactions, the acquiring provider changed its name to Hampshire and Isle of Wight Healthcare NHS Foundation Trust.

On 1 July 2024 community services in Hounslow formerly provided by Hounslow and Richmond Community Healthcare NHS Trust transferred to West London NHS Trust. On 1 November 2024 all remaining services transferred to Kingston Hospital NHS Foundation Trust. The acquiring provider changed its name to Kingston and Richmond NHS Foundation Trust.

On 1 November 2024 all services previously provided by Barnet, Enfield and Haringey Mental Health NHS Trust transferred to Camden and Islington NHS Foundation Trust. The acquiring provider changed its name to North London NHS Foundation Trust.

With the exception of services transferred to Black Country Integrated Care Board, the above transactions will eliminate and therefore have minimal impact on the 2024/25 consolidated NHS provider accounts. As at the date of authorisation of these accounts, there are 206 NHS providers.

In accordance with the requirements of *IAS 10 Events after the reporting period* , events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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