Departmental report : 2012/13 / Department of Health ; presented to Parliament by the Secretary of State for Health and the Chief Secretary to the Treasury.

Department of Health

Annual Report and Accounts

2012-13

(For the period ended 31 March 2013)

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

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

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

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Contents

ANNUAL REPORT AND MANAGEMENT COMMENTARY

1 INTRODUCTION

1.1 The Department of Health core aim is to help people live better for longer. It leads shapes and funds health and care in England, making sure people have the support, care and treatment they need with the compassion and dignity they deserve.

1.2 2012-13 was a year of transition from the existing health and social care system to a new system developed by the government and set out in the Health and Social Care Act 2012. Over the year, the Department continued the effective delivery of health and social care, whilst developing the new system to be ready for implementation on 1 April 2013. On 1 April the Department formally commenced its new role as steward for the health and care system. In this role, the Department will focus on creating national policies and legislation and providing the long term vision to meet current and future challenges, while ensuring the reforms are embedded.

1.3 The Department's Annual Report & Accounts consolidate the financial position and performance for all the entities within the departmental group including NHS Trusts, Foundation Trusts, Arms Length Bodies and, for their final year, Primary Care Trusts and Strategic Health Authorities. Commentary on the financial results is in section 7 below.

2 REVIEW OF THE YEAR

2.1 Over the year the Department continued to meet the Government's aspirations for the health and care system, which are:

- to ensure that people have the best possible health, with outcomes as good as the healthiest nations in the world;
- to be as effective at keeping the nation in good health as it is at treating ill health;
- to have a health and care system that is built around people and patients (and which responds to their needs according to locally determined priorities) and which is not focused on process. Patients will be empowered to take more control of their own care;
- to have a health system that is led by clinicians and health care professionals;
- to drive substantial improvements in health outcomes, productivity and the quality of care; and
- to develop innovative improvements in terms of delivering patient care, especially in respect of patients with long-term conditions and for older people.

2.2 The coalition government's priorities as set out in the Department's Business Plan 2012-15 are:

- **Reform care and support** – by enabling people needing care to be treated with dignity and respect, and reform the system of care and support to provide much more control to individuals and their carers, improve quality, and ease the burden of care costs that they and their families face.
- **Promote public health** – by creating a public health service which rebalances our approach to health and health inequalities, drawing together national leadership with local delivery, and a new sense of community and social responsibility.
- **Health and care systems integrated around the needs of patients and users** – by strengthening patient's and user's ability to exercise extended choice, to manage their care and to have their voice heard.
- **Revolutionise NHS accountability** – by creating a long term, sustainable framework of institutions, with greater autonomy for doctors and nurses, and greater accountability to patients and the public.
- **Promote better healthcare outcomes** – by shifting focus and resources from bureaucratic process targets to better healthcare outcomes, and reduced inequalities, including national health outcome measures, patient reported outcome measures and patient experience measures.

2.3 This report discusses key aspects of our work during 2012-13 The Secretary of State will also publish an annual report in autumn 2013 covering his statutory duties.

2.4 During the year, the Department has worked to formally take the stewardship role across social care, public health and national health services from 1 April 2013. Its main achievements and developments in these areas include:

- maintaining NHS performance over the period of transition and ensuring the service is on target for achieving £5bn Quality, Innovation, Productivity and Prevention savings in 2012-13 - ahead of trajectory for delivering £20bn by 2014-15.
- publishing the Care and Support White Paper, developing the implementation plan with the social care sector; and improving the degree of integration between health and care,
- creating a new Public Health system and transferring major new responsibilities to local authorities; introducing new immunisation programmes; and continuing major public health initiatives including cancer, stroke awareness and smokefree campaigns,
- responding to and taking action on the Mid-Staffordshire Inquiry recommendations, particularly on increasing compassion and dignity for patients,
- managing the transition programme and successfully setting up the new health and care system, abolishing SHAs and PCTs, and transforming NHS management,

These are examined further in the sections below.

Reforming Care and Support

2.5 2012-13 has brought about broad consensus on the strategy and priorities for transforming social care in England:

- there has been a significant level of development activity with the social care sector in terms of improving and funding for care and support;
- there continues to be a significant improvement in the degree of integration between health and care; and
- dementia continues to be one of Secretary of State for Health's priorities and he has announced 2013 as his year of action on dementia awareness.

2.6 During 2012-13, the Department launched the Care and Support White Paper together with the draft Care and Support Bill, which set out an ambitious programme of transformation aimed at preventing, postponing and minimising people's needs for formal care and support. If people do have needs, the Department wants them to be in control of their own care and support and more easily able to plan and prepare for the care and support they might need.

2.7 In July 2012, the draft Care and Support Bill was published for consultation. The draft bill is the most comprehensive reform of social care legislation in over 60 years. The new statute will be clearer, fairer, and built around the needs and goals of the people who need care and support. It will empower people to take control over their care and support and to understand their entitlements. The public consultation demonstrated widespread support for the principles and approach to law reform in adult care and support, and a summary of the views received is available online at:

http://caringforourfuture.dh.gov.uk/2012/12/10/responses-to-the-draft-care-bill/

The Joint Committee on the draft Care and Support Bill reported in March 2012 and the Bill has subsequently been introduced into the House of Lords in May 2013.

2.8 The Government has also committed to taking forward recommendations made by the Dilnot Commission to put an end to the unfairness and fear of unlimited care costs. Work is underway, subject to legislation, to introduce:

- a universal deferred payments scheme so that no one has to sell their home in their lifetime to pay for residential care - from April 2015;
- a cap on the amount people can pay for their care and increase financial support for those with modest wealth and those in the greatest need - from April 2016.

2.9 During 2012-13, the Department continued to promote the importance of integrating person-centred services. The Mandate to the NHS Commissioning Board, which came into effect in April 2013, set out the importance of integrating care around the need of patients. The Department has reinforced the message through the refresh of the NHS Constitution. The draft Care and Support Bill sets out a duty on

local authorities to promote the integration of services, in addition to providing for further duties of co-operation which will encourage local partners to work together to improve the health and wellbeing of local people.

2.10 The White Paper, Caring for our Future: Reforming Care and Support (July 2012), announced the transfer of a further £300 million over 2 years from the NHS to social care. This is ensuring that councils and the NHS work together to provide services that benefit health and social care. The Outcomes Frameworks for the NHS have set out how public health and social care are moving toward better alignment, to support integrated care. In 2012-13, the NHS also transferred £622m to local authorities to support social care with a health benefit, and £100m to support local resilience during winter and to ensure access to care.

2.11 2012-13 has been a significant year for work on dementia. The Department published a progress implementation report on the Prime Minister's Challenge on Dementia in November 2012. The report set out progress across the three workstreams of the Challenge: improving health and care, creating dementia-friendly communities that understand how to help, and better research, with each workstream being led by a Champion Group. The Secretary of State for Health has made dementia a priority and has announced 2013 as his year of action on dementia awareness.

2.12 Key achievements include:

- the inclusion of dementia by the Department in the Mandate to the NHS Commissioning Board which asks local areas to make measurable progress in improving dementia diagnosis over the next two years; and
- the launch of the Dementia Friends initiative, funded jointly by the Department of Health and Cabinet Office. This will raise awareness and understanding of dementia across society by educating one million people to become 'Dementia Friends' by 2015.

Progress on dementia research are covered separately in paragraph 2.41

2.13 The Department is also encouraging and increasing the provision of suitable specialised housing for older people, which can help people stay independent for longer. The Care Bill includes provisions that will, if enacted, require local authorities to ensure the co-operation of their housing officers and to ensure integration between the provision of care and support, health services, and health related services such as housing. In 2012-13, the Department invested an additional £40 million into the Disability Facilities Grant that helps people to remain independent in their own homes by providing extra support such as stair lifts, grab rails and other such devices and adaptations. The Department also announced funding of up to £300 million for the Care and Support Specialised Housing Fund over five years from 2013. The fund will help create thousands of extra houses and flats specially designed for the needs of disabled and older people who need extra support.

Promoting Public Health.

2.14 The Department leads on the integration of health and well-being issues in Government policies. Part of this role involves ensuring that wider public policy considerations are incorporated into the delivery of health and social care services, working at local, national and international level.

2.15 In 2012-13, the Department actively brought to the attention of the wider health sector and beyond the need to combat the rapidly evolving problem of antimicrobial resistance. The issue requires action at a national and global level, demanding better control across a range of sectors: environmental, agricultural, food production, veterinary and human health. The Chief Medical Officer report published in March 2013 highlights the steps necessary to minimise the threats to animal and human health. www.gov.uk/government/uploads/system/uploads/attachment_data/file/138331/CMO_Annual_Report_Volume_2_2011.pdf

2.16 To develop a wider programme, paving the way for further consolidated action in 2013-14, DH

- sought to accelerate work nationally and globally to conserve existing antibiotics by providing tools to encourage better use of them and the development of new antibiotics and novel treatments;
- initiated work with the relevant UN agencies (WHO, FAO and OIE) to develop a framework and coordinated programme of collaborative action to tackle AMR at a global level.

2.17 From 1 April 2013 local authorities have taken the leadership of the local public health system and a new executive agency, Public Health England (PHE) came into being. Preparing for the transfer of functions

was a critical focus of activity during 2012-13, and involved close working with local authorities, the NHS and the large number of organisations sending functions into PHE.

2.18 In providing leadership across Government on public health and well-being issues, the Department has:

- continued the Act F.A.S.T stroke initiative with further campaigning to publicise early warning signs of stroke and to demonstrate the importance of a rapid response;
- further campaigned, supported by leading charities, to raise awareness of the signs and symptoms of the most common cancers and to encourage people to seek treatment early with national campaigns on bowel and lung cancers and regional test campaigns on breast, kidney and bladder cancers. Similarly, campaigning for better recognition of the early signs of dementia encouraged earlier GP presentation and earlier diagnosis;
- covered up the eye catching displays of tobacco products in large stores (with smaller shops to follow in April 2015), and held a consultation on whether tobacco products should be sold in standardised packs, attracting over 600,000 responses;
- run three major smokefree campaigns this year; a secondhand smoke campaign in the Spring; encouraging smokers to order a Smokefree kit to help them quit or make their homes and cars smokefree; Stoptober, a new mass participation campaign to encourage hundreds of thousands of smokers to stop for 28 days as a way into stopping for good; and a new health harms campaign which emphasized the immediate harm caused by smoking by showing a tumour growing on a cigarette;
- delivered the Olympics-themed Games4Life campaign, with more than 250,000 requests for personalised activity plans. The Be Food Smart meal mixer app was downloaded more than 700,000 times and the ITV healthy ad break during Coronation Street - an industry first - saw a range of big food and drink brands coming together to advertise their healthier products;
- continued its work on the responsibility deal, launching major new pledges of increasing consumption of fruit and vegetables and increasing the number of partners to over 520. In addition, the Department launched a toolkit to support local authorities' work to engage smaller and medium sized local businesses on improving the health of their employees and customers, and
- grown the health visitor workforce to 9,133 full time equivalents, an increase of 1,041 over the May 2010 baseline, with over 2,500 students starting health visiting training in 2012-13, and increased by 2,175 the number of places on the Family Nurse Partnership programme.

Improving Care for Patients and Users from the NHS

2.19 Robert Francis QC published his report of the Mid Staffordshire Public Inquiry in February 2013. The Public Inquiry report looked at the roles and responsibilities of the wider health system in the terrible events that took place at Mid Staffordshire hospital between 2005 and 2009. Robert Francis gave a thorough analysis of the evidence that he had heard, and made 290 recommendations for organisations across the health system including the Department of Health. His overarching analysis was that "*fundamental culture change*" is needed, and that this "*will not be brought about by yet further 'top down' pronouncements but by the engagement of every single person serving patients*".

2.20 The Prime Minister responded to the report with a statement and apology on behalf of the system to Parliament at publication, and the Department of Health published an initial Government and system wide response on 26 March 2013, detailing key actions to ensure that patients are "*the first and foremost consideration of the system and everyone who works in it*".

2.21 The initial response, *Patients First and Foremost* opens with a statement of common purpose, signed by the Chairs of 14 key national organisations; apologising, renewing personal and organisational commitment to the values in the NHS Constitution, and committing to putting the interests of patients first. It emphasised the need for NHS staff to feel supported and valued, and given time, and space to reflect on the challenging nature of their work. The response includes a number of commitments including:

- the appointment of new Chief Inspectors of Hospitals, Social Care and Primary Care at the CQC;
- a new inspections regime;
- the development of fundamental standards for health and care;

- a statutory duty of candour;
- a barring system for managers; and
- piloting of more hands on practical training for nurses before entering their degrees.

2.22 The response also announced reviews into: patient safety; patient complaints; reducing bureaucracy; and the training and development of healthcare assistants. It included a commitment by the Department of Health to ensure that all its civil service staff will have had frontline experience within four years.

2.23 The Department also published a revised NHS Constitution following a public consultation, alongside the initial response to the report, to reflect that the NHS's most important value is for patients to be at the heart of everything the NHS does. It is likely there will be a further consultation later in the year on further changes to the Constitution, with the aim of incorporating further recommendations made by Robert Francis QC and a further response to his report will be published in the autumn of 2013.

2.24 In June 2012 and December 2012 respectively, the Department published the interim and final reports of the review into the abuses of patients with learning disability or autism at Winterbourne View Hospital. The final report set out a number of steps to respond to the failings identified which included actions to ensure people receive the right care in the right place, strengthen accountability and corporate responsibility, and improve quality and safety. The final report was accompanied by a concordat setting out a joint programme of action to transform health and care services and improve the quality of care offered to children, young people and adults with learning disabilities or autism who have mental health conditions, or behaviour that challenges, in order to ensure better health outcomes for them. The Department, NHS England, CCGs, CQC, local government and many other organisations are taking forward actions as a result and the Local Government Association and NHS England have been provided with funding by the Department to establish a joint improvement programme to provide leadership and support to the transformation of services locally.

2.25 A further priority for the Department during 2012-13 has been to put mental health on a par with physical health. An Implementation Framework, published in July 2012, built on our mental health strategy *No Health Without Mental Health,* providing guidance on actions which organisations across the reformed health and care system, and across public services more widely (including schools, housing and employment organisations, and the criminal justice system), can take to improve mental health and wellbeing. Building on this, the Mandate sets a clear objective for NHS England to put mental health on a par with physical health, supported by a number of mental health indicators across the three outcomes frameworks, and parallel objectives to Health Education England and in Public Health England's health improvement priorities.

Revolutionise NHS Accountability and Develop the New Health and Care System

2.26 The Department has supported the development of the new health and care system through the health and care reform transition programme. During the year our focus was on ensuring the new health and care system was ready to become operational on 1 April 2013. The transition programme provided a governance framework to coordinate activity across the system to deliver the Government's vision to reshape healthcare so that it would become more patient-centred, led by health professionals and focused on delivering world-class health outcomes.

2.27 The overall programme was co-ordinated, and assured to ensure that implementation of all parts of the NHS, public health and DH reforms were aligned and that delivery was on-track. DH provided processes to promote consistency, transparency and integration, ensuring that key decision, progress and risks were reviewed and managed through appropriate governance arrangements. From October 2012, some new bodies began to operate in shadow form and put their own governance arrangements in place. At this point, DH's focus shifted to assurance and leadership of the system as a whole. Further details are contained in the Governance Statement.

2.28 During 2012-13, DH also co-ordinated cross-system work on the closedown of SHAs and PCTs and the managed handover of their functions to new bodies in April 2013. The closedown and handover of responsibilities from SHAs and PCTs was supported by national guidance to ensure a consistent approach. Guidance was also produced to ensure the quality and safety of NHS services was maintained during transition. Emergency preparedness, resilience and response plans were put in place for the new system. Transfer schemes under the Health and Social Care Act 2012 were used to transfer staff, property and liabilities to appropriate ownership in the new health and care system.

2.29 This work involved over 400 organisations across the NHS, Arm's Length Bodies, Local Government, Public Health and the Department of Health. 10 Strategic Health Authorities and 151 Primary Care Trusts were abolished and 211 Clinical Commissioning Groups, 19 Commissioning Support Units and 152 Health and Wellbeing Boards were created across the country. NHS Property Services Ltd was established to manage and develop around 3,600 NHS facilities. At a national level, DH became the leader of a new health and care system in which the new and continuing statutory bodies work together in the interests of patients.

2.30 The Health and Care Transition Programme affected around 45,000 staff across the system. The People Transition Programme co-ordinated the movement of staff from organisations which were closing to new health and care organisations. The programme ensured that new bodies had the staff they needed to become operational from April 2013 and also succeeded in maximising the retention of skills and minimising redundancy.

2.31 Until April 2013 SHAs and PCTs retained their statutory functions and governance arrangements. New system leaders worked with the current system to provide continuous leadership, minimise complexity for staff and ensure a secure and smooth transition. Maintaining high levels of performance in the old system was a priority as DH laid the foundations of the new health and care system. The transition process was managed to ensure stability and resilience for the old system and a secure and smooth transition to the new system.

Delivery of Performance Outcomes in the NHS

2.32 Throughout 2012-13, the NHS as a whole has performed well against a range of service and quality standards. Maintaining performance over the transition period was a priority, while foundations were laid for the new system. In summary:

- access to elective services was maintained, with the NHS delivering the operational standards to start treatment within 18 weeks of referral in March 2013 for 90% of admitted patients and 95% of non-admitted services. At the end of March 2013 the standard was delivered that 92% of patients still waiting to start treatment should have been waiting no more than 18 weeks.
- standards were maintained for cancer treatment
- the number of over six week waits for a diagnostic test as a percentage of all waits for a diagnostic test at the end of March 2013 was 1.1%, compared with 0.7% in March 2012.
- nationally, the ambulance service responded to:
  - 74.0% of immediately life threatening calls within 8 minutes – slightly below the 75% standard
  - 75.6% of less time-critical calls within 8 minutes – above the 75% standard
  - 96.0% of calls requiring transport within 19 minutes – above the 95% standard
- infection rates were at their lowest level since mandatory surveillance was introduced. MRSA infections fell by 17% compared with the previous year, whilst C. Difficile infections decreased by 18% in 2012-13 compared with 2011-12;
- in March 2013, providers of NHS-funded healthcare reported 330 breaches of the MSA guidance compared to 503 in March 2012 and 5,466 in the same period in 2011. This represents a decrease of 98% overall from the 11,802 breaches identified back in December 2010 when monitoring started; and
- nationally in 2012-13, 95.9% of patients spent four hours or less in A&E from arrival to admission, transfer or discharge, above the 95% standard.

Promoting Better Use of Healthcare Resources

2.33 The 2010 Spending Review protected healthcare funding in real terms over the four years period to 2014/15, with growth in cash funding set to increase by £12.7 billion by 2014-15 compared to 2010/11. The 2013 Spending Round, announced in June 2013, confirmed that the Government will continue to increase health funding in real terms in 2015-16, with a further increase of £2.1 billion in cash terms.

2.34 However, the NHS faces rapidly rising demand for services from an aging population, an increase in the number of people living with multiple long-term conditions, and the continuing need to fund new technologies and drugs. The Department believes that to achieve these demands the NHS will need to deliver and re-invest up to £20 billion in efficiency savings by 2014-15, whilst continuing to drive up the

quality of the services it provides. Since 2010-11 the NHS has been planning to meet this challenge through 'Quality, Innovation, Productivity and Prevention' (QIPP).

2.35 In the first two years of the QIPP delivery period, the NHS has delivered in line with its forecast efficiency savings, with PCTs reporting delivery of £5.8 billion savings in 2011-12 and a further £5.0 billion in 2012-13.

2.36 While this is an encouraging performance through the first half of the QIPP delivery period, it will require concerted effort across the health system to maintain delivery over the second half of the period in a sustainable way that prepares the NHS for continuing financial challenges beyond 2014-15.

2.37 In the reformed health system, all organisations will have a role to play in driving the required efficiency improvements, with NHS England having a particularly crucial responsibility. Ensuring the delivery of QIPP was built into NHS England's authorisation and planning processes for Clinical Commissioning Groups. NHS England will develop a range of tools and guidance to support CCGs in delivering transformational change in relation to their QIPP objectives, with the first tranche of these resources to be published in the autumn.

Investing in Research and Development

2.38 The Department spent £984.6 million on Research and Development in 2012-13. Of this, £954.9 million was provided to the National Institute of Health Research (NIHR). This funding was utilised in four key areas:

- £618.7 million – Infrastructure to provide the support and facilities the NHS needs to deliver first class research;
- £209 million – Research Programmes to provide evidence to support decision making by professionals, policy makers, patients, and the public;
- £100.2 million – Development of a research capability and talent in clinical and applied health and social care research; and
- £26.5 million – Systems to simplify and streamline the approvals and procedures underpinning research.

2.39 In addition, the Department spent £29.7 million on the Policy Research Programme, focused on the needs of Ministers and policymakers for research to inform the development of policy and evaluate its effectiveness. Through the Institute the DH supports the nation's leading clinical researchers working within our foremost NHS/university partnerships.

2.40 Following new open competitions, the DH invested record funding in 2012 in a wide range of NIHR clinical research infrastructure within the NHS including Biomedical Research Centres and Units, Clinical Research Facilities for Experimental medicine, Patient Safety Translational Research Centres, Healthcare Technology Cooperatives and Experimental Cancer Medicine Centres in partnership with Cancer Research UK.

2.41 As part of the Prime Minister's challenge to go further and faster to prevent, manage and ultimately cure dementia the Department has committed to more than doubling the funding for dementia research per annum. The significant progress already made is helping to place the UK's world leading specialist facilities and strengths in neuroscience at the forefront of research developments in dementia.

2.42 In addition, researchers within the NIHR Dementia Translational Research Collaborations are actively collaborating in the search for new ways to diagnose and tackle the condition, including exploring advancements in imaging and new collaborations to research repurposing of drugs.

3 DEPARTMENTAL PERFORMANCE

3.1 The overall purpose of the Department of Health is to improve the health and well-being of the people of England. Consequently the principal focus of the Department's work, for which it is accountable to both Parliament and the public, includes setting appropriate national policies and standards to shape the direction of the NHS and adult social care systems, and to promote healthier living in the population. In working with its partners to achieve these goals, the Department is responsible for around £110 billion of public funds. It advises Ministers on how best to use this funding in order to inform and achieve their decisions and to carry out their objectives. DH staff are responsible for leading and driving forward

change in both the NHS and social care, and setting the direction on promoting and protecting the public's health. Working through and with the 1.1 million NHS staff operating in more than 400 organisations and approximately 8,200 GP practices, the Department is responsible for the provision of health services to around 1.5 million patients and their families every day.

Strategic priorities

3.2 The coalition government's priorities as set out in the Department's Business Plan 2012-15 as outlined in paragraph 2.2. Each month, the Department reports on the progress made in meeting the priorities and these reports are available on the Number Ten website.

3.3 The Department measures progress on the adopted key indicators in the wider health and social care system and these are considered by the relevant management or programme board. At each of its formal meetings, for example, the Departmental Board receives a key information pack, which includes performance data relating to both the Department and the wider health and care system. A discussion about performance is a standing item on the agenda of each Departmental Board meeting, with non-executive board members providing rigorous challenge.

Progress against the Structural Reform Plan

3.4 The Department reports monthly on the progress against the Structural Reform Plan actions, and these are available at:

https://www.gov.uk/government/organisations/department-of-health/series/dh-structural-reform-plan-progress-reports

3.5 The financial year 2012-13 covered two Business Plans. For the month of April DH reported against the Plan published in November 2011. This expired in May 2012, leading to the publication of a refreshed Plan which was in force for the remaining financial year, and therefore forms the basis for the majority of this assessment of performance.

3.6 For the financial year 2012-13, DH met 28 of its Structural Reform Plan commitments on time or ahead of schedule, and reported delays for 19 actions. As reported on the Number Ten website, at the end of the reporting period for the Business Plan which expired in April 2013, in total 60.6% of actions were completed on time. Under the May 2012-15 Plan, the Department completed 70.2% of action on time. Achievements further to those outlined in section 2 include:

- launched HealthWatch nationally and enabled the first local HealthWatch to be set up;
- increased access to NICE recommended psychological therapies for depression and anxiety to meet a minimum of 10% amongst the adult population;
- initiated the national roll out of personal budgets for chronic/long-term conditions;
- strengthened the role of the Care Quality Commission;
- continued to extend the coverage of Payment by Results (PbR) into areas such as mental health, chemotherapy, radiotherapy, ambulance services and some community services;
- developed proposals for dental contract reform;
- created a Nursing Care Quality Forum to engage and mobilise action on quality; and
- announced the high level design of a "health premium" for local authorities that tackle public health challenges among the disadvantaged.

3.7 There are a number of reasons why commitments have been delivered later than set out when the Plan was agreed. These have included timetable changes agreed with Cabinet Office and Number Ten (in the cases of the Care and Support White Paper which resulted in delays to two actions, and publishing a progress report on the Dementia Challenge); and policy decisions to extend data collection or evaluation timetables (in the cases of publishing data on access to patient records, NHS 111 and the evaluation of sharing knife crime statistics).

3.8 The action relating to the publication of the first part of an indicator on dementia in the NHS Outcomes Framework was completed on time, and a definition for the second part was not fully complete until March 2013. The definition of the second part of the indicator, "to enable dementia sufferers to cope with changes in their lives" was under the consideration of the Operating Framework Technical Advisory Group who cautioned against using the original wording for the metric. Based on their advice, and taking

into account their findings, a revised provisional definition of the second part of the indicator has been now provided.

3.9 The roll-out of adult liaison and diversion pathfinder services is jointly led with the Ministry of Justice, and the programme has now been re-profiled. This is after a centrally agreed change in the timetable for data collection to formulate a more robust business case.

Impact and Input Indicators

3.10 From September 2012-13 the Department has published data on its impact and input indicators taken from the DH Business Plan 2012-15. Prior to this data was published as part of the Quarterly Data Summary. The summary data is intended to help assess the effects of policies and reforms on cost and impact of public services. In total there are 34 indicators, with ten relating to unit costs of health and social care provision, eight relating to life expectancy and six for patient experience surveys.

3.11 In the 2012 Business Plan, more impact indicators were included than in the previous Plan. The indicators were mostly linked to the priority areas and milestones included in the Structural Reform Plan chapter of the Business Plan, with an increase of indicators relating to differences in life expectancy.

3.12 Table one provides examples of the indicators across the priority areas.

Table One: Department of Health Business Plan 2012-15 Impact and Input Indicators (extract)

Item / Coalition Priority	2012-13	2011-12	2010-11	Measure
Health and care systems around the needs of patients and users				
Health related quality of life for people with long term conditions		0.73	N/A	Average health status score for individuals aged 18 and over, reporting they have a long-term condition
Emergency admissions (avoidable)		1309.3	241.7	Unplanned hospitalisation for acute conditions, rate per 100,000 population
Promote better healthcare outcomes				
Patient experience: primary care (GP services)	86.74%	88.28%	N/A	Survey - percentage rating their experience as Good or Very good
Patient experience: primary care (GP out of hours services)	70.21%	70.86%	N/A	
Patient experience: hospital care	76.5	75.6	75.7	CQC adult inpatient survey - average score of five domains out of 100
Safety incidents reported by NHS/healthcare provider		640.5		Per 100,000 population - data October to December 2011
Revolutionise NHS accountability				
Unit cost of treatment for patients staying in hospital for treatment they have chosen (£)		£1,303	£1,276	Cost per Finished Consultant Episode
Unit cost of treatment for patients staying in hospital for emergency treatment (£)		£1,570	£1,530	
Unit cost of patients visiting hospital for treatment (£)		£108	£103	Cost per A&E or Outpatient attendance
Unit cost of patients being treated for mental health problems (£)		£28	N/A	Cost per attendance, occupied bed day, contact, Cluster days and initial assessment
Promote public health				
Low birth weight of all live births where father's occupation is classified as managerial, professional or intermediate (%)		6.6%	6.1%	Data source ONS
Low birth weight of all live births where father's occupation is classified as routine and manual occupations, never worked or long-term unemployed (%)		7.1%	7.2%	Data source ONS
Mortality rate from causes considered preventable		143.3	148.6	Data for calendar years (eg 2010 data shown in 2010-11 column). 2010 figure has been revised, due to revisions to population estimates following the 2011 Census.
Reform Care and Support				
Quality of life for adults receiving social care		18.7	18.7	Adult Social Care Survey across 8 outcome items - score out of 24
Satisfaction with adult social care services		62.8%	62.1%	Adult Social Care Survey - percentage very or extremely satisfied with services received
Unit cost of receiving community care (£)		£51	£47	NHS Reference Cost per attendance, contact, visit and vaccination
Unit costs: older people residential and nursing care (£)		£521	£522	Average gross weekly expenditure per person on supporting older people in residential and nursing care
Unit costs: older people home help (£)		£17	£17	The average gross hourly cost of council funded home care
Unit costs: older people day care (£)		£91	£87	The average gross cost of council funded day care per day care client

Note: Further 2012-13 data will be published when available.

3.13 Performance against the indicators is published on a quarterly basis and the latest information was published in early July. This indicator set is in its early stages and datasets are evolving, so time-series data are not available for all indicators. The indicators draw on data from a variety of sources, including

data produced by ONS, the Health and Social Care Information Centre and the Department itself. In all cases, publication is guided by the Code of Practice for Official Statistics, which requires the producers to publish the statistics as soon as they ready. However, figures are also drawn from more wide ranging statistical products that take time to compile, for example national population measures derived from the Census, Hospital Episode Statistics and surveys of NHS patients.

3.14 A brief explanation of the figures is provided in Table one, and all the measures and the data sources are separately published on the gov.uk website:

https://www.gov.uk/government/organisations/department-of-health/series/input-and-impact-indicators

Departments' Spending Data

3.15 Under the new Quarterly Data Summary (QDS) framework, departments' spending data is published to show the taxpayer how the government is spending their money. The QDS grew out of commitments made in the 2011 Budget and the Written Ministerial Statement on Business Plans. For the financial year 2012–13, the QDS has been revised and improved to provide a common set of data to enable comparisons of operational performance across government. Over time, the Department will be making further improvements to the quality of the data in order to assist the public to understand better its performance and operations.

3.16 The QDS breaks down the total spend of departments in three ways: by budget, by internal operation and by transaction, shown in the table below. The analysis in section B highlights how the majority of the core Department's expenditure is committed to supporting specific programmes of work (for example, Social Care, Research and Development and European Area Medical Costs) with a relatively small percentage being spent on running the central Estate, Information Technology (IT) and Corporate functions. Further detail on each area will be published shortly on the Cabinet Office's website.

Table Two; Department of Health Spend by Budget, Internal Operations and Transaction Types

	Spend in £ million
Total Spend	**£5,115.8**
(A) Spend by Budget Type	
(A1) Organisation's own budget (DEL)	£4,987.9
(A2) Expenditure managed by the organisation (AME)	£127.9
(A3) Other expenditure outside DEL and AME	£0.0
(A1 + A2 + A3) Total Spend	**£5,115.8**
(B) Spend by Type of Internal Operation	
(B1) Cost of running the estate	£30.8
(B2) Cost of running IT	£6.6
(B3) Cost of corporate services	£82.7
(B4) Policy and policy implementation	£4,995.7
(B5) Other costs	£0.0
(B1 + B2 + B3 + B4 + B5) Total Spend	**£5,115.8**
(C.) Spend by Type of Transaction	
(C1) Procurement Costs	£395.6
(C2) People costs	£136.2
(C3) Grants	£1,751.0
(C4) Other costs	£2,833.0
(C1 + C2 + C3 + C4) Total Spend	**£5,115.8**

Notes: C3 excludes grant-in-aid to DH's ALBs

3.17 The expenditure analysis shown above will not match or directly cross refer to the notes in the main body of the resource accounts as a result of definitional differences between datasets, and the QDS return was prepared before the final audited accounts. The Department are working with Cabinet Office colleagues to achieve improved consistency in the future.

Transparency and Efficiency Controls

3.18 An emphasis on greater transparency lies at the heart of the Coalition Government's commitment to provide a means for the public to hold politicians and public bodies to account. The Department is fully committed to this transparency agenda and has made available a number of key documents on the DH website via a link to data.gov.uk. During 2012-13, key DH documents were made available in respect of:

- DH staff salaries above £150,000;
- senior DH civil servants' pay and details;
- senior staff pay details in relation to the Department's Arms Length Bodies (ALBs), Executive Agency, Executive Non-Departmental Bodies and Special Health Authorities;
- all new DH ICT contracts and central DH contracts;
- all new DH tender documents for contracts over £10,000;
- the Department's organisation chart and related staff data;
- new items of central DH spending over £25,000;
- publication of expenses information for senior officials in the Department; and
- details of Government Procurement Card (GPC) transactions over £500.

3.19 The key indicators that the Department believes will be most useful to the public in terms of understanding the costs and outcomes of health and social care services are set in the transparency section of the Business Plan.

3.20 In May 2010 the Government introduced efficiency controls across a number of areas including: external recruitment; consultancy spend; new ICT projects; other procurement; communications and advertising; property; pay; and business travel. In March 2011, the Cabinet Office announced that the controls would remain until March 2015.

3.21 The Department of Health introduced the controls across the whole of the Department and its ALBs in May 2010 and has, in places (for example, professional services), extended the scope of the controls beyond that imposed by Cabinet Office. As the controls have been developed or amended the Department has issued updated guidance both internally and to its ALBs. The Department also provides a quarterly update report listing any agreed exceptions to the spending moratoria.

Department of Health Staff Costs

3.22 Following a thorough planning exercise, the structure of the new Department has evolved into five Directorates (reduced from 10) taking full effect from 1st April 2013. This has led to a significantly smaller number of permanent and non-permanent staff and the size of the Department will reduce in 2013-14 through further productivity and efficiency gains.

3.23 The average number of whole-time equivalent staff employed by the Core Department (excluding DH NHS Informatics staff whose functions transferred from Connecting for Health projects) during the 2012-13 financial year fell by a total of 112 (4%) compared to 2011-12. A breakdown of the Core Department figures is set out in table three below, and also shows the £23 million reduction in costs and is reported in Note 7 to these accounts. Including Connecting for Health staff, the average number fell by 190 between the two years. All of the decrease in the number of average staff employed in the Core Department is as a result of a reduction in the permanent workforce (down by 7.4%), primarily as a result of natural turnover alongside the operation of efficient recruitment controls.

Table Three: Average Number of Persons Employed by the Core Department

	Average number of Staff Employed (WTE basis)			Total Staff Cost
	Permanently employed staff	Other	Total	£million
2011-12	2,350	396	2,746	£281m
2012-13	2,176	458	2,634	£258m
Change	- 174	+ 62	- 112	-£23m

Notes
1. Staff costs exclude the cost of Ministers and Special Advisors.
2. Average staff numbers exclude DH Informatics Directorate.

3.24 The numbers of staff employed, both permanent and non-permanent, will reduce significantly during the first quarter of 2013-14 as permanent staff transfer (or move) to the new bodies, and the non-permanent resources are no longer required following conclusion of transition.

Spend on Consultancy, Agency and Temporary Workers

3.25 The table four provides details of expenditure by the core Department in respect of consultancy and temporary agency workers. The figures show an increase for the Department for both consultancy and temporary workers. The 2013-14 £5.4 million consultancy cost includes a one-off cost of £3.5 million due to the South London NHS Healthcare Trust being put into administration. A significant factor in the remaining costs relate to the need for temporary specialist resources required to support transition for system reform changes. The temporary and agency staff increase is in line with the non-permanent workforce increase shown in table three.

Table Four : Department Expenditure on Consultancy and Temporary/Agency Workers

	2012-13		2011-12	
	Consultancy[1]	Temporary Agency[2]	Consultancy[1]	Temporary Agency[2]
Core Department	5,472	43,828	2,920	36,886
Connecting for Health[3]	12,927	12,765	11,997	34,078
Total DH Core	**18,399**	**56,593**	**14,917**	**70,964**
% Change on prior year	**23%**	**-20%**	**1%**	**-49%**

Notes
1 Consultancy values for Core Department show receipted amounts against purchase orders in line with Office of Government Commerce (OGC) definitions. This differs to the source of data used in the main body of the resource accounts (for example, notes 8 and 9), which is taken from the Department's General Ledger. There are definitional and timing differences between these sources.
2 Temporary Agency values are on a resource basis and are consistent with audited accounts
3 Figures may not sum due to roundings.

3.26 Further details on the staff policies and numbers is in Annex C, along with the consultancy and temporary workers figures for ALBs and the NHS.

Other Department Efficiencies and Cost Reductions

3.27 In 2012-13 the Department has significantly reconfigured about 8000 square meters of headquarters space in London and Leeds to provide over 900 extra desks for new ALBs formed as part of the new health and care system. This new space meets Government Property Unit guidelines and contributes towards the Department as a whole fully being on course to meet the Cabinet Office space targets by 2014, one year ahead of schedule. The space occupied by the Department itself has reduced by around 12% over the year. This has played a significant part in reducing the Department's net expenditure on estates and facilities management by over £2.5 million.

3.28 The Department commenced implementation of a new shared ICT service ("Open Service") for the Department and its ALBs, which will help deliver future savings of around one third against the cost of current contracts. The move to the new contract has already contributed towards 2012-13 savings of over £3 million in applications and software support costs.

Sustainability

3.29 The Department and its ALBs remain on target to meet the Greening Government Commitments by 2015, key areas being the reduction in greenhouse gas emissions and water consumption.

3.30 The DH Sustainability Report for the year follows after the Annual Report.

Accounting to Parliament and the Public

3.31 As a Department of State, the Department of Health supports Ministers in discharging their accountabilities to Parliament and the public, and remains one of the busiest in Whitehall. DH:

- laid an unqualified, IFRS-compliant Annual Report and Accounts for 2011-12 in October 2012;
- in the 2012 calendar year answered 2,405 Freedom of Information (FOI) requests, responding to 100% of these within the deadline, (including permitted extensions); and
- in 2012-13 DH answered 5,739 Parliamentary Questions, supported 21 Health Select Committee inquiries, 14 cross cutting inquiries led by other Select Committees, and 4 inquiries run by the Public Accounts Committee.

3.32 Between 1 April 2012 and 31 March 2013, the Department submitted 19 impact assessments (IAs) to the Regulatory Policy Committee for review. Of these, 8 were given "fit for purpose" ratings at the first instance and a further 9 after amendments had been made. The two remaining IAs that were given "not fit for purpose" ratings have since been amended and re-submitted to the RPC for review.

3.33 In respect of the Department, the Parliamentary Ombudsman has confirmed there were no complaints accepted for investigation in 2012-13.

Better Regulations

3.34 The Department of Health is committed to the Government's drive to produce less regulation, better regulation and regulation as a last resort. Between 1 April 2012 and 31 March 2013, the Department introduced four new sets of regulations, listed below, with their "come into force" date and estimated annual net cost to business (EANCB):

- changes to regulations for Care Quality Commission Registration (April 2012), nil net cost;
- prohibition of the display of tobacco products at the point of sale (April 2012), estimated net cost £2.41 million;
- consolidation of UK medicines legislation (August 2012), £0.91 million estimated net saving; and
- repealing the smoke-free signs regulations (October 2012), £0.07 million estimated net saving.

3.35 Between 9 March and 12 April 2012 and working in conjunction with the Cabinet Office, the Department ran a Red Tape Challenge on medicines. This identified 215 regulations that would be merged, simplified or scrapped altogether. The Department ran a second Red Tape Challenge between 6 November 2012 and 31 January 2013, to review over 500 regulations relating to public health, quality of care, mental health, the NHS and professional standards. The Department is still reviewing the responses to this challenge but, in line with a cross-Whitehall commitment, it is expected to scrap or improve at least 50% of these regulations.

4 FORWARD LOOK

Developing the Department

4.1 The Department's enduring purpose is to achieve better health, better care and better value: working to help people live better for longer. The Department will continue to maintain its strategic role in shaping and designing the overall health and care system, and in acquiring and accounting for resources at a national level. It will be the steward of the new health and care system and will set a clear vision for the system's delivery of health care outcomes and the proper use of resources.

4.2 From April 2013, the Department's Permanent Secretary oversees the Department's five directorates. Of the five, three focus on the key delivery chains in the system: NHS, Social Care and Public Health. One directorate explores the means by which the Department will become better connected to the people it works with and for, and the fifth directorate focuses on the Department's corporate responsibilities across

the Department and the ALBs. The Chief Medical Officer continues to work alongside the Permanent Secretary and oversees the research and development function.

4.3 The 2013-14 Corporate Plan, published in April 2013, sets out the Department's priorities for the year ahead. This Plan is available on the Department's website, and sets out activities grouped into six priority areas:

- **Better health and wellbeing for all** – helping people live healthier lives
- **Better care for all** - helping people get better, and ensuring people are treated with dignity and respect; supporting a patient-led health and care system
- **Better Value for all** – providing better quality care by improving productivity and ensuring value for money for the taxpayer
- **Successful Change** – ensuring a smooth transition to a more autonomous and accountable system
- **Working With Partners** – achieving strategic clarity, building a common sense of purpose by developing strong relationships with our external stakeholders,
- **Transforming the Department itself** – improving capability and becoming a better department

4.4 The Department published a refreshed Business Plan in June 2013, which sets out a set of commitments to be completed for the remainder of the Spending Review period, with end dates going up to March 2015. These reflect a change of Secretary of State and change in focus from the reform agenda to that of compassionate care. A selection of the actions in the SRP include:

- maintain the UK as a world-class location for clinical research working with the Life Science Industry, the NHS and academia to ensure the country's research environment is conducive to the successful development of the life sciences sector;
- reduce preventable early death
- help children make the best start in life
- support the integration of health and social care
- reform the funding of the care and support system
- take forward the Prime Minister's challenge on dementia
- deliver the Government's response to the Mid-Staffordshire NHS Foundation Trust Public Inquiry recommendations, working jointly with other bodies to help increase compassion and dignity in the NHS
- set an ambition for the NHS to put mental health on a par with physical health
- continue to improve the standardisation of payment for NHS services to improve the quality and efficiency of services provided to patients; and
- improve the effectiveness of commissioning, seeking assurance on the capacity and capability of CCGs, and supporting NHS England to progress towards full authorisation of CCGs.

4.5 The Business Plan includes an Annex setting out how DH will contribute to cross-Government priorities on growth, open public services, sustainable development, working with our stakeholders, social mobility and reducing regulation.

The Future Health and Care System Health and Social Care Structure following Health & Social Care Act 2012

4.6 A central aim of the new system is to improve the quality of care for patients through the introduction of clinically led commissioning, strengthened regulation, and an increased focus on transparency and accountability. A brief outline of the system under four core themes is set out below. An interactive diagram of the statutory organisations in the new structure is published in the Guide to the Healthcare System in England, which includes summaries on the function on each organisation, and is available at the website below:

http://healthandcare.dh.gov.uk/system/

- **Commissioning and delivering integrated services for all**
  - Clinical commissioning will be led by doctors, nurses and other health professionals coming together in Clinical Commissioning Groups (CCGs), supported by the NHS Commissioning Board (NHS CB). Clinical Commissioning Groups (CCGs) will commission health services for their communities with the NHS CB commissioning some specialist services centrally, where this is most efficient.
  - Local authorities will work with the NHS to integrate commissioning of health and care services, coming together in local Health & Wellbeing Boards to consider the full range of services needed by the local population. This means better care for patients, designed with knowledge of local services and commissioned in response to their needs.
- **New public health service to tackle preventable ill health**
  - Local authorities will have an important new role leading the public health service at a local level. They will be responsible for protecting and improving the health and wellbeing of their communities, tackling challenges such as smoking, alcohol and drug misuse and obesity. Working together with health and care providers, community groups and other agencies, they will work to prevent ill health by encouraging people to live healthier lives.
  - Public Health England will provide national leadership and expert services to support public health and work with local government and the NHS to respond to emergencies.
- **Safeguarding patients' interests**
  - As the new system brings more freedom for those who plan, commission and provide services, new and existing health and care regulators will work together to safeguard the interests of patients and the wider public.
  - The Care Quality Commission (CQC) and Monitor will work together to register, regulate and monitor services to ensure that the quality and safety of care meets government standards and that providers of care promote patients' interests.
- **A stronger voice for people and communities**
  - The new system as a whole is designed to empower patients and local communities by ensuring services are responsive to their needs. Patients and community groups will sit alongside commissioners and providers on local health and wellbeing boards. Local Healthwatch will give patients and communities a voice in decisions which affect them, reporting their views, experiences and concerns to Healthwatch England. Healthwatch England will work as part of the Care Quality Commission.

5 GOVERNANCE OF THE DEPARTMENT

Accountabilities within the Department of Health Group

5.1 The Department is led by a team of Ministers supported by officials, the most senior of whom in 2013-14 are: the Permanent Secretary, the NHS Chief Executive and the Chief Medical Officer.

5.2 The **Permanent Secretary**, Una O'Brien, is also the Principal Accounting Officer for the Department. As such, she has personal responsibility for the proper presentation of the Department's Annual Report & Accounts and its transmission to the Comptroller & Auditor General for audit. She is also responsible for the use of public money and the stewardship of assets. In particular, in the context of Treasury's guidance: *Managing Public Money,* the Accounting Officer has responsibility for:

- ensuring that all expenditure of the Department, its Arm's Length Bodies and the NHS (including NHS Trusts and NHS Foundation Trusts) is contained within the overall budget for the Department – the Departmental Expenditure Limit (DEL);
- assuring that individual organisations within the group are performing their functions and duties effectively, and have the necessary governance and controls in place to ensure regularity, propriety and value for money; and

- ensuring that Ministers are appropriately advised on all matters of financial propriety, regularity and value for money across the system for which the Department is responsible.

5.3 Therefore, as well as leading the Department, the Permanent Secretary must also ensure that it operates effectively, that Ministers receive the advice and support they need, and that there is effective working with all Department of Health partners across local and national government, the NHS and in the private, public and third sectors. In addition to being responsible for the Department's budget, including expenditure of non-Departmental public bodies, but excluding programme expenditure on NHS expenditure, the Permanent Secretary is also responsible for ensuring that the net expenditure of NHS Foundation Trusts (which are not subject to direction by the Department) is contained within the overall DH budget.

5.4 The NHS Chief Executive, Sir David Nicholson, was appointed by the Treasury as an Additional Accounting Officer for NHS expenditure. In 2012-13 he was accountable for the Department's own programme expenditure on the NHS, and for overseeing the spending of all NHS organisations that are subject to direction by the Department (namely Primary Care Trusts, Strategic Health Authorities, NHS-facing Special Health Authorities and NHS Trusts). In addition Sir David Nicholson was also appointed the Chief Executive of the NHS Commissioning Board from October 2012.

5.5 The Chief Medical Officer, Professor Dame Sally Davies is the most senior professional advisor to both the Department of Health and Government Ministers in respect of medical and public health issues.

5.6 The accountabilities described above continued until the end of March 2013, after which the Accounting Officer roles changed significantly. From 1 April 2013, the Department will have a single Permanent Secretary, accountable for the Parliamentary Estimate as a whole. DH will allocate NHS funding to the NHS Commissioning Board, with the Chief Executive of the NHS Commissioning Board becoming directly accountable to Parliament for the regularity, propriety and value for money in respect of this funding. Within the new system, the Department and its Ministers will remain ultimately accountable for the overall health and care legislative framework. Further information on the role of the Accounting Officer in relation to the NHS, public health and adult social care and arrangements is available in the Accounting Officer system statement:

https://www.gov.uk/government/publications/accounting-officer-system-statement--2

Ministers

5.7 The following Ministers were responsible for the Department in 2012-13:

- **Secretary of State for Health** with overall responsibility for the work of the Department:

Rt. Hon Andrew Lansley CBE MP to September 2012

Rt. Hon Jeremy Hunt MP from September 2012

- **Ministers of State**:

Rt. Hon Simon Burns MP, Minister of State for Health to September 2012

Paul Burstow MP, Minister of State for Care Services to September 2012

Norman Lamb MP, Minister of State for Care and Support from September 2012

- **Parliamentary Under Secretaries**:

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

Anne Milton MP, Parliamentary Under Secretary of State Public Health to September 2012

Anna Soubry MP, Parliamentary Under Secretary of State for Public Health from September 2012

Dr Daniel Poulter MP, Parliamentary Under Secretary of State for Health from September 2012

Board Structure and Membership

5.8 The Departmental Board is chaired by the Secretary of State and brings together ministerial and civil service leaders with a team of non-executive directors. The Board provides the collective strategic and operational leadership for the Department. It advises on strategic and operational issues affecting the Department's performance, as well as scrutinising and challenging Departmental policies and performance, and this includes appropriate oversight of sponsored bodies.

5.9 In addition to the Ministers, in the paragraph above, the executive and non-executive members of the Departmental Board during 2012-13 were as follows:

Una O'Brien CB	Permanent Secretary
Sir David Nicholson KCB CBE	NHS Chief Executive
Professor Dame Sally Davies DBE	Chief Medical Officer
Richard Douglas CB	Director General for Strategy, Finance and the NHS
David Behan CBE	Director General of Social Care, Local Government and Care Partnerships to June 2012
Shaun Gallagher	Acting Director General of Social Care, Local Government and Care Partnerships between July 2012 and March 2013
Jon Rouse	Director General of Social Care, Local Government and Care Partnerships from March 2013
Peter Sands	Lead Non-Executive member
Dr Catherine Bell	Non-Executive member
Professor David Heymann	Non-Executive member
Mike Wheeler	Non-Executive member
Chris Pilling	Non-Executive member

5.10 The Departmental Board is responsible for:

- supporting Ministers to manage and shape strategic issues relating to the health and social care systems;
- ensuring that there is strategic alignment across all those organisations which are accountable to the Department for the health and care system;
- providing appropriate oversight of performance, including progress against milestones within the business plan and performance against efficiency metrics;
- ensuring sound financial management in the Department;
- gaining assurance on performance by the Department's sponsored bodies; and
- ensuring, with the advice of the Executive Board, the effective management of risks within the Department and its sponsored bodies.

The lead Non-Executive member's report follows in Section 6.

5.11 In 2012-13 the Departmental Board was supported by:

- The **Executive Board**, which is chaired by the Permanent Secretary, and includes the NHS Chief Executive, the Chief Medical Officer, the Director General for Strategy, Finance and the NHS, and the Director General of Social Care, Local Government and Care Partnerships. This Board supports the Permanent Secretary in the discharge of her responsibilities as Principal Accounting Officer, and is responsible for escalating key risks to the Departmental Board where that becomes necessary;
- The **DH Management Committee**, which is chaired by the Permanent Secretary, and includes all Directors General and Managing Directors. The Committee provides corporate leadership for the Department of Health and supports the Executive Board in supporting the Permanent Secretary in the discharge of her responsibilities as Accounting Officer for the Department;
- The **Audit and Risk Committee**, which is chaired by Mike Wheeler, one of the Department's Non-Executive Board Members, comprises other non-executive members. The Audit and Risk Committee advises the Department of Health's Principal Accounting Officer and the Departmental Board on risk management, corporate governance and assurance arrangements in the Department of Health and its subordinate bodies. This Committee also reviews the Department's Annual Report & Accounts, and recommends these for signing to the Permanent Secretary;

- The **Nominations and Governance Committee**, which is chaired by Peter Sands, the Department's lead Non-Executive Board Member, with Una O'Brien, the Permanent Secretary, and Dr Catherine Bell, a Non-Executive Board Member, as the other members. This Committee advises the Departmental Board on matters relating to leadership and succession planning for the Department and the Board, and scrutinises governance arrangements in the Department. It also considers matters relating to leadership and succession planning for non-executive board members amongst the Department's arms-length bodies.

- **Transition Boards** were established to provide governance and oversight of the implementation of the health and social care system reforms. The NHS Transition Executive Forum, chaired by Sir David Nicholson, governed the NHS transition and development of the NHS future system. The Department of Health, Public Health and Local Government Board, chaired by Una O'Brien, oversaw the design and delivery of the Department, public health and local government transition. Both reported to the Executive Board which oversaw transition across the full scope of NHS, the Department, ALBs and local government.

Remuneration of Ministers and Appointment of Senior Officials

5.12 Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. Further details are included in the Remuneration Report.

5.13 Senior Civil Servants, including the Permanent Secretary, are appointed in accordance with the Department's procedures, the Civil Service Commission's Recruitment Principles, and Guidance on the Civil Service Commission's Recruitment to Senior Posts. The Senior Civil Service (SCS) pay committee agrees the approach to the SCS pay round each year. Non-Executive members are appointed to the Departmental Board by the Secretary of State for Health following consultation with the Government Lead Non-Executive and consideration by a Departmental panel. The appointments follow the principles of selection based on merit, with an open and transparent process, and information is placed in the public domain about vacancies.

Details of Company Directorships & other significant interests held by the Board

5.14 Other than those interests disclosed in Note 28 (Related Party Transactions), Board Members hold no company directorships or other significant interests, that are considered to conflict with their Departmental management responsibilities.

Dealing with Risks and Uncertainties

5.15 The Department's strategic risk register provides the focal point for overall risk management within the Department of Health. This register is updated on a regular basis, and the contents are considered by the Departmental Board and the Audit & Risk Committee at each of their meetings. Supporting Committees and groups manage those risks which fall within their specific areas of responsibility, and, as appropriate, will escalate those risks for inclusion in the strategic risk register. Further commentary on the risk and control framework is included in the Governance Statement.

6. LEAD NON-EXECUTIVE BOARD MEMBER'S REPORT

Performance and priorities

6.1 The last year has been one of great change and thus considerable challenges for the Department of Health. During this time, the Department's key challenge has been to ensure that the transition to a new commissioning model does not compromise the delivery of high quality care. Whilst driving the transformation of the health and care system as a whole, the Department itself has also had to change significantly, with reduced resources and a redefined role. Alongside managing these near term priorities, the Department has continued to focus on defining the strategic responses required to meet longer term challenges such as an ageing population, rising expectations, and the ongoing pressures on public finances.

6.2 The Board plays a vital role in supporting and challenging the Department in meeting its complex array of implementation and service delivery objectives. Non executive members bring their experience from across the public, charitable and private sectors. Board members' insights have helped the Department better understand the scale of the challenges it faces, and non executive members have provided

independent perspectives on strategic issues such as managing the transition, re-connecting with the frontline, the role of technology and identifying and managing critical risks.

6.3 Non executive members also provided considerable input to the Department's policy response to Robert Francis's report on wider lessons to be learnt from his earlier inquiry into Mid Staffordshire NHS Foundation Trust. Their experience in customer insight and organisational development was used to help officials develop practical proposals for improving the Department's role as steward of the health and care system.

6.4 Board members have provided significant input to the development of more comprehensive and transparent management information tools and in reinforcing the Department's approach to risk management. These enhancements to the Department's governance and oversight capabilities are critical to ensuring successful execution of its role within the redesigned system.

6.5 The Board met ten times in 2012-13. Four of these meetings considered the quarterly performance report and financial information; the other meetings discussed strategic issues. The Board agendas were planned around the Department's key responsibilities, overseeing current performance and enabling more detailed discussion of the most important issues facing the Department and the wider health and care system, including risks and strategic priorities. Alongside one meeting, the Board spent time with a Clinical Commissioning Group, which provided an opportunity to understand the impact of the reforms and progress on transition to the new system from a front line perspective. Given the pressure on public finances, the Board continued to maintain a close watch on the Department's - and thus the system's - finances. This has enabled the Board to help the Department live within its limits as well as to underpin more informed planning for the future, particularly in the context of the transition.

6.6 Topics the Board devoted particular attention to include:

- **The transition programme and its associated risks.** As the Department has been leading the transformation of the health and care system, the Board has closely monitored the progress of the transition programme. The Board has kept the Department's strategic risk register under continuous review, and offered considered advice in both the main Board and via the Audit and Risk sub-committee. Such discussions have covered broad issues, such as staff and external communications, and specific topics, such as how to ensure the effectiveness of emergency planning and winter planning during the transition to the new system, and the need to maintain close oversight of financial risks within the provider sector.
- **Enhancing communication across the Department and the Arms Length Bodies (ALBs) to ensure a clear sense of common purpose across the system as a whole, underpinned by a better understanding of respective roles.** The Capability Review conducted last year underlined the importance of effective communication to build trust, confidence and successful collaboration. Given the scale of change within the Department and across the health and care system as a whole, it is vital that staff and stakeholders across the system understand the overarching purpose of the changes, their respective roles within the new structure and the mechanics of how it will work. This entails enhancing communication at all levels. Ensuring a shared commitment to a common purpose, anchored around patient needs, continues to be a priority for the Board.
- **Overseeing the Department's Capability Review.** The Board played a critical role in overseeing the Department's Capability Review and in challenging the Department's progress on the action plan. In particular, non executives were keen to ensure that the Department grasped its changing role, providing more visible leadership and stewardship across the wider health and care system. This requires better engagement with the Department's ALBs.
- **Reinforcing performance management.** The Board has overseen the development of a much clearer dashboard for the presentation of system performance data, combining both financial and non-financial performance metrics and covering the health and care system as a whole. This enables easy identification of trends and anomalies, while providing rich underlying data which allows members to drill down in greater depth where required. The Board has also encouraged and helped with the development of a more insightful risk register, which in turn has led to a fundamental re-think of the Department's approach to risk management in its new role as steward of the health and care system.

Actions from the Board effectiveness review

6.7 In early 2012, the Board undertook its first effectiveness review, through a survey and interviews with individual Board members. This was a useful exercise which demonstrated that the Board is making

good progress in its core objective of improving the governance of the Department of Health. The resultant objectives were set out in last year's report.

6.8 Progress towards these objectives has been good, particularly in regard to spending a greater proportion of the Board's time on strategic issues affecting the longer term shape and performance of the health and care system, identifying and discussing the most critical risks, and putting greater focus on monitoring performance outcomes for the Department and the system as a whole. Whilst there has been progress on succession planning and several significant senior appointments have been made in the Department, this remains an area of focus. Given the substantial change in composition and remit of the Board arising from the transition, DH agreed with the Cabinet Office that the next review should take place in the autumn. This review will also include consideration of individual Board members' contributions in the context of how the Board as a whole is performing.

Forward look

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

- responding to the Spending Review and the resultant pressure on the Department's budget; while also considering the longer term affordability of the overall system given the rise in demand for health care and the pressure on public finances;
- ensuring that the transition's benefits are realised, with a particular focus on reinforcing the links between social care, the health care system, and on the public health agenda;
- maintaining oversight of system performance, with ever increasing focus on outcomes and patient care;
- exploring longer term strategic challenges and potential responses; with a focus on creating a joined up system with the right balance between preventative, primary and acute care;
- sustaining the pace of progress in improving management information and risk management processes; and more generally, on deploying technology to enhance system effectiveness; and
- supporting the development of better understanding and more collaborative working relationships across the entire health and care system.

7 SUMMARY OF FINANCIAL RESULTS

7.1 These financial statements show how the Department's activities have been funded, and its resources deployed, during the 2012-13 financial year. The Department has two primary sources of funding: Parliamentary (Supply) funding and National Insurance Contributions. In 2012-13, National Insurance Contributions amounted to around £18.1 billion (an increase from the £16.9 billion in 2011-12). HM Treasury (HMT) sets the Department's budgets independently from the level of National Insurance Contributions and, as such, they have no impact on the resources available to cover expenditure on healthcare.

7.2 The Department is required to contain expenditure within a series of controls operated by both HMT and Parliament:

- Revenue expenditure must be contained within either the Revenue Departmental Expenditure Limit (RDEL) or Annually Managed Expenditure (AME). Details of 2012-13 revenue expenditure are set out below in Table five for RDEL and Table seven for AME;
- Administration revenue expenditure must be contained within the Department's Administration limit, which is a subset of the overall revenue DEL. Details of 2012-13 administration expenditure are set out in Tables eleven and twelve; and
- Capital expenditure must be contained within the Capital Departmental Expenditure Limit (CDEL). Details of 2012-13 capital expenditure are set out in Table nine.

7.3 In 2012-13, the Department met all its financial duties, by managing resources within the budgets set by HM Treasury and the amounts voted by Parliament.

Revenue Departmental Expenditure Limit

7.4 The Department underspent by £1,527 million (1.4%) against its final RDEL budget in 2012-13. This compares to a £826 million (0.8%) underspend in 2011-12. In cash terms, RDEL expenditure increased in 2012-13 by £2,356 million (2.3%). This is shown in table five below and further details of spending growth are shown in Table ten.

Table Five: Revenue Department Expenditure Limit (RDEL) 2012/13

	2012-13 £m	2011-12 £m	Growth £m	Growth %
Revenue DEL budget	105,475	102,418	3,057	3.0%
Revenue DEL expenditure	103,948	101,592	2,356	2.3%
Under/(over) spend £m	1,527	826		
Under/(over) spend %	1.4%	0.8%		
Breakdown of 2012-13 Revenue DEL underspend:				
NHS Surpluses (Primary Care Trusts, Strategic Health Authorities, NHS Trusts and Foundation Trusts)	*2,132*			
SHA & PCT End Year Flexibilty Allocation	*(1,586)*			
NHS	***546***			
DH and Arms Length Bodies Programme and Administration	***981***			

Notes
1. The breakdown is before the elimination of intra-group transactions, so the figures do not match those in table 7.
2. 2011-12 expenditure figures have been restated to include NHS charities.
3. Figures may not sum due to roundings

7.5 The 2012-13 underspend has been analysed by spending sectors. Within the RDEL underspend of £1,527 million, the net NHS underspend was £546 million comprising:

- an underspend of £2,132 million (SHAs/PCTs - £1,517 million, NHS Trusts £106 million and Foundation Trusts £510 million);
- offset by a planned over-commitment of £1,586 million relating to the repayment of to Primary Care Trusts and Strategic Health Authorities 2011-12 underspend.

7.6 The current years underspend is not lost to the NHS, it has been made available in future years to NHS England to help to deliver high quality sustainable health services for patients. It would not be prudent to use the entire underspend in the following year, because carrying a surplus provides the flexibility to respond to unexpected costs. Therefore, plans are agreed that involve a steady use of the underspend over a number of years, funded from the wider Department of Health budget.

7.7 In addition to the net NHS underspend of £546 million, the remaining £981 million relates to:

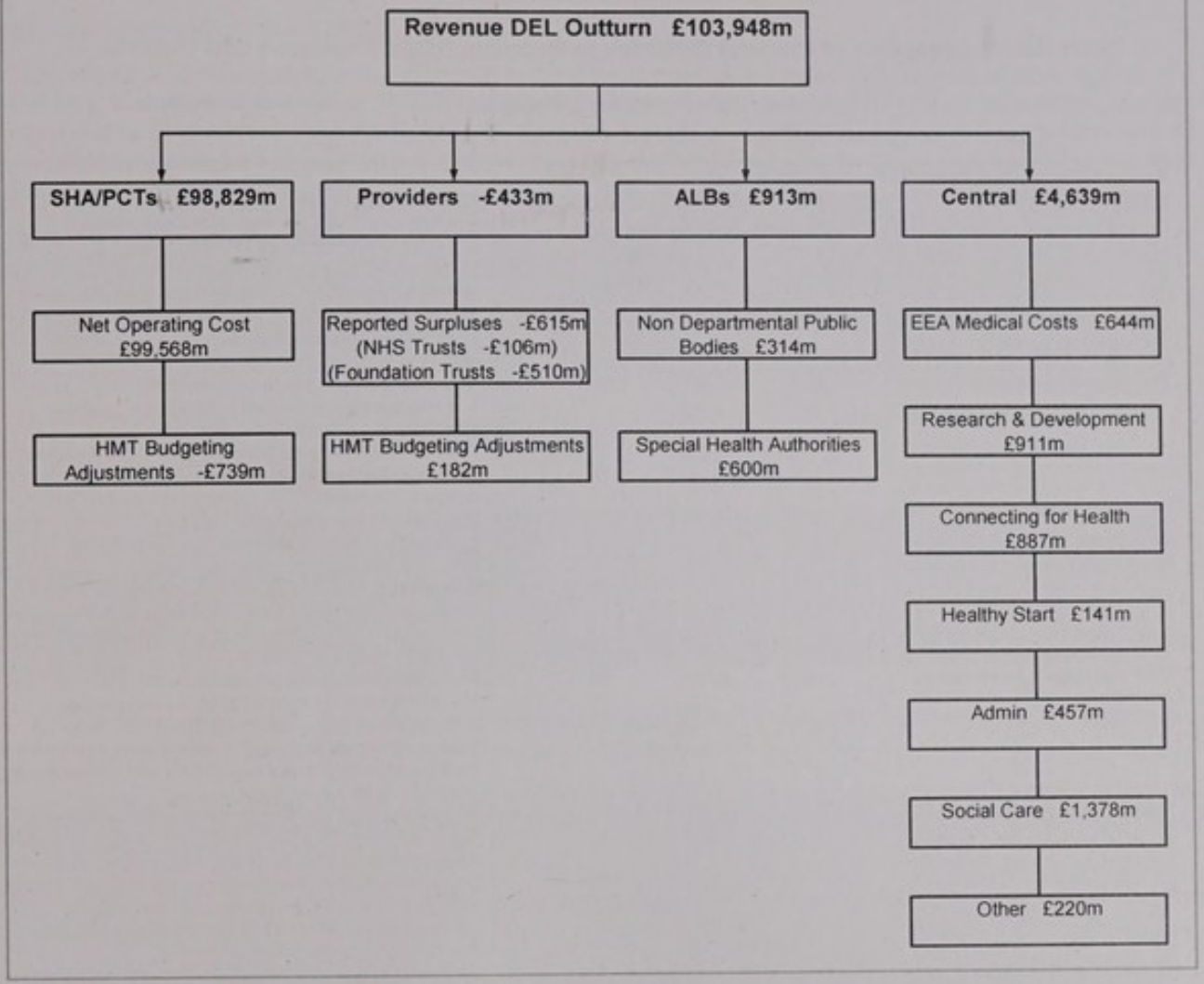
- A saving on the RDEL due to certain types of NHS expenditure that score to other HM Treasury (HMT) budgetary controls, this was around £550 million more than was originally planned. For example, NHS expenditure on provisions (eg Continuing Healthcare) are counted against the Annually Managed Expenditure budget as opposed to the RDEL;
- An underspend of around £50 million on the "ring-fenced" element of the RDEL. This ring-fence is only permitted to be used for certain types of depreciation and impairment of assets; and
- DH and DH Arms Length Body (ALB) underspend of around £350 million – of which around £200 million relates to reduced administration expenditure (see paragraphs 7.22-29 on administration expenditure).

7.8 Like other Government departments, DH's underspend will be returned to HMT and this will help in wider fiscal deficit reduction during this unprecedented period of fiscal challenge.

Disposition of the Department's 2012-13 Revenue Departmental Expenditure Limit (RDEL)

7.9 Figure 1 below illustrates the high-level disposition, by spending sector, of the expenditure that scores against the Revenue Departmental Expenditure Limit.

Figure 1: Revenue Disposition Outturn



Notes

1. Negative numbers indicate benefit to the DEL - eg Providers reported a DEL surplus of £615m
2. Further explanation of the provider surplus is in the NHS Finance and Performance paragraphs below.
3. Budgeting adjustments relate to certain types of expenditure that score to other budgetary controls. For example, provisions expenditure and certain types of impairments score to the Annually Managed Expenditure control as opposed to the RDEL.
4. Figures may not sum due to roundings
5. The value for EEA Medical Costs above does not match the value included in Note 9 Programme Costs EEA Medical Costs because it includes all costs associated with the Department's EEA Medical Costs team, rather than purely the provisions provided in year shown in Note 9.
6. The value of Research and Development above does not match the value shown in Note 9 Programme Costs for research and development because it includes all costs associated with the Research and Development Directorate, including income received, and conferences and seminars, rather than purely the amount spent on research and development per Note 9 Programme Costs.

7.10 The Parliamentary Estimate budgetary provision is set on the basis of forecast consolidated income and expenditure – that is after the elimination of the forecast level of transactions between bodies within the DH group. For example, if a PCT purchased a service from an NHS Provider to the value of £20m, on consolidation, the expenditure of the PCT would be reduced by £20m and the income of the NHS Provider would be reduced by £20m. As the estimate is based on forecast levels of intra group transactions, a significant proportion of variances between provision and outturn relate to these transactions.

7.11 Table six provides an explanation of the differences between provision and outturn in the Parliamentary Estimates for DEL expenditure, relating to the figures in Note 2.1 of the accounts.

Table Six: Explanation of Material Differences Between RDEL Provision and Outturn

	Provision £m	Outturn £m	Difference £m	Difference %	Explanation of difference
Revenue Deparmental Expenditure Limit (DEL)					
PCT & SHA expenditure	16,740	17,345	(605)	-4%	The overspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £1,100 million ; and 2. the remaining difference relates to the composition of PCT and SHA expenditure - mainly because there was an increase in provisions expenditure that scores to the Annually Managed Expenditure budget as opposed to the DEL - section on AME refers.
DH Programme expenditure (NHS)	2,721	1,701	1,021	38%	The underspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £500 million; and 2. around £500 million is because expenditure was lower than forecast in the Supplementary Parliamentary Estimate and relates to the overall RDEL
Special Health Authorities expenditure	1,959	2,163	(204)	-10%	The overspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £300 million ; and 2. expenditure was around £100 million lower than was forecast in the Supplementary Parliamentary Estimate - mainly because NHS Litigation Authority claims settlements were lower than planned.
DH Programme & Administration expenditure	1,943	1,792	151	8%	The underspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £200 million; and 2. expenditure was around £300 million lower than forecast in the Supplementary Parliamentary Estimate - mainly relating to underspends on administration.
Social Care Expenditure	1,357	1,378	(21)	-2%	The overspend of around £20 million arose because the following changes occurred after forecasts were included in the Supplementary Parliamentary Estimate; 1. Learning Disability Commissioning Transfer was around £11 million higher than the the provisional amount; 2. around £3 million of additional funding was allocated for the start up costs of local Healthwatch; and 3. changes to local agreements between the NHS and Local Authorities.
NHS Trust net expenditure	27,932	27,329	602	2%	The underspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £850 million; and 2. an overspend of around £250 million mainly because of accounting adjustments of around £200m [1]
NHS Foundation Trusts net expenditure	34,265	33,772	492	1%	The underspend on this line results from: 1. a difference in the forecast of intra group trading eliminations of around £200 million; and 2. an underspend of around £300 million mainly because of accounting adjustments of around £200m [1]
Non Departmental Bodies net expenditure	477	383	95	20%	The underspend on this line mainly results from a difference in the forecast of intra group trading eliminations of around £120 million
PCT & SHA expenditure financed by NI contributions	18,080	18,085	(4)	0%	
Total RDEL	**105,475**	**103,948**	**1,527**	**1%**	

Notes

1. Absorption accounting adjustments relate to the transfers between NHS Trusts and Foundation Trusts - these result in a loss (increased expenditure) in the Trust Sector and a gain (reduced expenditure) in the Foundation Trust sector. These transactions were between - Scarborough and North East Healthcare NHS Trust to York Teaching Hospital Foundation Trust, Trafford Health NHS Trust and Great Western Ambulance Service NHS Trust to Central Manchester Universities Hospitals Foundation Trust and Great Western Ambulance Service NHS Trust to South Western Ambulance Service Foundation Trust

2. When provisions are settled, the amounts score as a credit to the AME budget and a charge to the RDEL budget.

3. Figures may not sum due to roundings

Annually Managed Expenditure (AME)

7.12 Expenditure that HM Treasury has deemed to be demand-led or exceptionally volatile scores against the Annually Managed Expenditure (AME) budget. For DH, this includes expenditure on provisions, certain impairments of assets and Credit Guarantee Finance. Details of the AME budget and expenditure are set out in table seven below, and shows the Department underspent by £93 million (1.6%) against its final AME budget in 2012-13.

Table Seven: Annually Managed Expenditure (AME)

	2012-13 £m	2011-12 £m	Growth £m	Growth %
AME budget	5,868	3,943	1,925	48.8%
AME expenditure	5,775	3,193	2,582	80.9%
Under/(over) spend £m	93	750		
Under/(over) spend %	1.6%	19.0%		

Notes
1. Figures may not sum due to rounding

7.13 In cash terms, AME expenditure increased in 2012-13 by £2,582 million (or 80.9%) when compared to 2011-12. This increase was mainly due to:

- as advised by HMT, a change in the discount rate used to value the future value of settlements, resulted in increased provisions of around £1,400 million
- increased provisions in the NHS of around £650 million relating to continuing healthcare claims. This is related to the Department introducing a deadline of 31 March 2013 for new claims for NHS continuing healthcare funding; and
- increased impairments in the NHS of around £250 million – mainly related to the market valuation of assets.

7.14 Table eight provides an explanation of the differences between provision and outturn in the Parliamentary Estimates for AME expenditure, relating to the figures in Note 2.1 of the accounts.

Table Eight: Explanation of Material Differences Between AME Provision and Outturn

	Provision £m	Outturn £m	Difference £m	Difference %	Explanation of difference
Annually Managed Expenditure (AME)					
PCT & SHA expenditure	844	591	253	30%	The underspend on this line relates to the distribution of the the NHS' AME expenditure included in the Supplementary Parliamentary Estimate differed to the final outturn position. For example, PCT provisions and impairment were lower than forecast in the Parliamentary Estimate, but NHS Trusts and Foundation Trusts were higher.
DH Programme expenditure (NHS)	9	123	(114)	-1260%	The overspend on this line is because provisions expenditure, relating mainly to injury benefits, was incorrectly forecast against the DH Programme & Administration line in the Supplementary Parliamentary Estimate.
Special Health Authorities expenditure	3,897	4,085	(189)	-5%	The overspend on this line is mainly because NHS Litigation Authority (NHSLA) provisions were higher than forecast in the Supplementary Estimate because based on the actuarial review, the NHSLA has made adjustments to recognise the increased volume of clinical negligence claims.
DH Programme & Administration expenditure	321	(89)	410	128%	Around £100 million of this underspend is related to the explanation given in the DH Programme expenditure line above. The remaining underspend is mainly due to a higher rate of provisions settlements (mainly for EEA medical costs) than was planned in the Supplementary Parliamentary Estimate. [1]
NHS Trust net expenditure	400	509	(109)	-27%	The overspend on this estimate line is because impairments of assets relating to market valuations were higher than forecast in the Supplementary Parliamentary Estimate. DH will need to work with NHS Bodies in 2013-14 to ensure that more accurate forecasts of AME expenditure are obtained.
NHS Foundation Trusts net expenditure	400	559	(159)	-40%	The overspend on this estimate line is because impairments of assets relating to market valuations were higher than forecast in the Supplementary Parliamentary Estimate. DH will need to work with NHS Bodies in 2013-14 to ensure that more accurate forecasts of AME expenditure are obtained.
Non Departmental Bodies net expenditure	(3)	(4)	1	-38%	
Total AME	**5,868**	**5,775**	**93**	**2%**	

Notes

1. When provisions are settled, the amounts score as a credit to the AME budget and a charge to the RDEL budget.
2. Figures may not sum due to roundings

Capital Departmental Expenditure Limit

7.15 CDEL expenditure in 2012-13 increased in cash terms by £12 million (0.3%) compared to 2011-12, and this and the position against budget is shown in the table below.

Table Nine: Capital Department Expenditure Limit (CDEL) 2012-13

	2012-13 £m	2011-12 £m	Growth £m	Growth %
Capital DEL budget	4,495	4,353	143	3.3%
Capital DEL expenditure	3,783	3,771	12	0.3%
Under/(over) spend £m	713	581		
Under/(over) spend %	15.9%	13.4%		
Breakdown of 2012-13 Capital DEL underspend:				
NHS Bodies (Primary Care Trusts, Strategic Health Authorities, NHS Trusts and Foundation Trusts)	*400*			
DH and Arms Length Bodies	*313*			

Notes:

1. Breakdown of the underspend is based on the original planning assumptions for each sector so figures do not match those in Note 2.2 in the accounts.
2. 2011-12 expenditure figures have been restated to include NHS charities.
3. Figures may not sum due to roundings.

7.16 In 2012-13 there was a CDEL underspend of £713 million (or 15.9%). The main reason is due to the initial planned capital expenditure in the NHS being higher than was affordable within the capital budget. The Department assumed, as in previous years, that these capital plans would slip, but held a capital funding reserve of around £400 million to cover some of the increased capital forecast should they arise. This, in the end, was not needed, as the NHS' actual capital expenditure was significantly lower than planned.

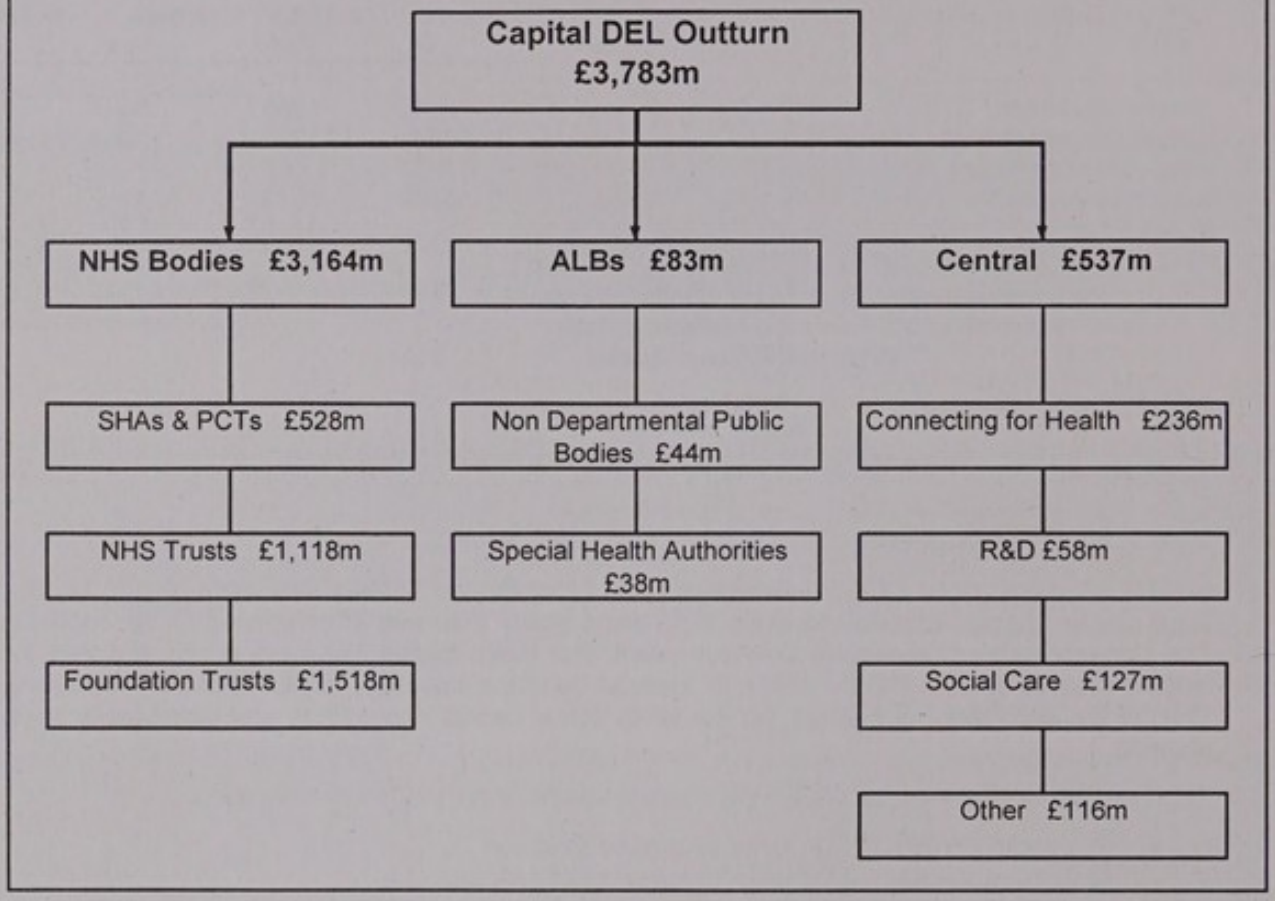
7.17 Movement of the NHS' actual capital expenditure against initial plans is as follows:

- Foundation Trusts - lower by around £1 billion
- NHS Trust Sector - lower by around £450 million
- PCTs/SHAs - lower by around £100 million

7.18 The Department is working with NHS bodies and Monitor to consider ways in which capital forecasts can be improved going forward. Like other Government departments, DH's underspend will be returned to HMT and this will help in wider fiscal deficit reduction during this unprecedented period of fiscal challenge.

7.19 Figure 2 below illustrates the high-level disposition, by spending sector, of the expenditure that scores against the Capital Departmental Expenditure Limit (CDEL).

Figure 2: Capital Disposition Outturn



Notes
1. Figures may not sum due to roundings

Total Departmental Expenditure Limit (TDEL)

7.20 HM Treasury's presentation of departmental expenditure in its publications (eg Spending Review and Budget reports) is on a Total DEL basis, calculated as the total of RDEL expenditure plus CDEL expenditure less depreciation. Table ten below sets out TDEL expenditure from 2009-10 to 2012-13.

Table Ten: Total Departmental Expenditure Limit (TDEL) and Real Terms Growth 2012-13

	2012-13 £m	2011-12 £m	2010-11 £m	2009-10 £m
RDEL	103,948	101,592	100,286	97,075
CDEL	3,783	3,771	4,159	5,182
Less PSS [1]			(1,520)	(1,395)
Less depreciation[2]	(1,132)	(1,193)	(1,210)	(1,187)
TDEL	**106,600**	**104,170**	**101,714**	**99,675**
TDEL in 12/13 prices	**106,600**	**105,736**	**105,608**	**106,200**
Growth (£m)	*863*	*129*	*(593)*	
Growth (%)	*0.82%*	*0.12%*	*-0.56%*	
Cumulative Growth - 09/10 to 12/13 (%)	*0.38%*			

Notes

1. In order to calculate growth on a consistent basis, 2010-11 figures have been restated to exclude Personal Social Services (PSS) grants as this was transferred to Department for Communities and Local Government from 2011-12 as part of the 2010 Spending Review
2. This category also includes some types of impairment
3. 2011-12 expediture has been restated to include NHS charities
4. Figures may not sum due to roundings

7.21 Total DH expenditure in 2012-13 was 0.8% higher in real terms than in 2011-12 and by around 0.4% higher than in 2009-10.

Department Of Health Administration

7.22 As part of the 2010 Spending Review, the Department's administration cost limit, which had previously applied only to the core department, was extended to include the administration costs of Primary Care Trusts, Strategic Health Authorities and Non-Departmental Public Bodies. As part of the 2010 Spending Review the Department is required to reduce the administration costs by one-third by 2014-15. The one-third reduction is measured against the 2010-11 baseline in real terms, i.e. the baseline in subsequent years is uplifted for inflation. In September 2011 a revised trajectory for the reduction was set out in the revised impact assessment for the Health and Social Care Bill (now the Health and Social Care Act 2012).

7.23 From 2013-14, the scope of administration income and expenditure will remain the same i.e. the core department, commissioning bodies and non-departmental public bodies, however the individual organisations within this scope will change to reflect the new design of the Health and Social Care system. Total administration costs and the challenge of the one-third reduction therefore remain comparable over the Spending Review period.

7.24 Table eleven provides a comparison of the Department's 2012-13 administration expenditure against the 2012-13 administration limit.

Table Eleven: Administration Limit 2012-13

	Admin Limit £m	Admin Outturn £m	Under spend £m	Under spend %
Administration - excluding depreciation	3,797	3,502	295	7.8%
Administration depreciation	374	168	206	55.1%
Administration total	**4,171**	**3,670**	**501**	**12.0%**

Notes

1. Figures may not sum due to roundings

7.25 The Department underspent by £501 million (or 12.0%) against the 2012-13 administration limit. The underspend comprises a combination of continued faster pace of reductions with lower levels of non-recurrent transition/reform related costs than expected when setting the administration limit.

7.26 Table twelve below provides a comparison of the 2012-13 administration outturn against the revised impact assessment for the Health and Social Care Bill (now the Health and Social Care Act 2012).

Table Twelve: Administration Costs Outturn and Forecast 2011-12 to 2014-15

	2010-11 Baseline £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
Administration costs forecast [1, 2, 3]	4,500	3,969	3,811	3,553	3,337
Outturn		3,307	3,502		
Under/(over) spend		662	309		

Notes

1. The administration costs forecast is as published in the revised impact assessment for the Health and Social Care Bill. Note, the actual published figures were in 2010-11 prices
2. Administration figures do not include depreciation
3. The 2012-13 administration costs of £3,811 million in the Impact Assessment differs to the equivalent figure of £3,797 million administration limit in Table 11 because the Impact Assessment numbers have not been revised to remove contingencies held to cover the uncertainty in the split of expenditure between administration and programme, whereas the 2012-13 Estimate figures were adjusted.
4. Figures may not sum due to roundings

7.27 Administration costs (excluding depreciation) of £3,502 million in 2012-13 are £195 million higher than in 2011-12. This is mainly due to non-recurrent costs associated with finalising the establishment of the new Health and Social Care system and closing bodies exiting the system e.g. PCTs and SHAs.

7.28 Administration costs in 2012-13 are £309 million lower than forecast in the Impact Assessment because:

- contingencies factored into the Impact Assessment for potential classification issues between programme and administration expenditure were not needed; and
- the Health and Social Care act 2012 reforms continue to deliver faster administration reductions, allowing for more spending on direct frontline services.

7.29 The Department is on track to deliver the one-third reduction to administration as defined in the Spending Review.

Arm's Length Bodies' Administration and Programme Costs

7.30 Arm's length bodies (ALBs) are national organisations established to support the health and care system to deliver its priorities. They are accountable to Parliament and ministers through the Department of Health. The Department sets their strategic direction and holds them to account for delivering a range of agreed objectives and outcomes. ALBs provide a range of diverse functions to support the Department in delivering its objectives, including:

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

7.31 The Health and Social Care Act 2012, for the first time, confers statutory functions on the Department's executive non-departmental public bodies (ENDPBs), rather than those functions being delegated by the Secretary of State. The Department remains responsible for the health and care legislative framework and the Secretary of State retains ministerial responsibility to Parliament for the provision of the health service in England; most day-to-day operational management in the health and care system, however, will take place within the Department's ALBs.

7.32 The Department's ALB Review, published in July 2010, proposed the abolition or significant reform of eight to ten ENDPBs and SpHAs. The Department has ensured that the appropriate legislation and process was in place for this to happen by April 2013, Note 33 to the accounts lists the Department's ALBs during 2012-13, and the following organisations closed in 2012-13:

- General Social Care Council (ENDPB) closed July 2012
- National Patient Safety Agency (SpHA) closed July 2012
- Appointments Commission (ENDPB) closed October 2012

and a further three closed at the year end:

- Health Protection Agency (ENDPB)
- National Treatment Agency for Substance Misuse (SpHA)
- NHS Institute for Innovation and Improvement (SpHA).

Alcohol Education Research Council also closed as an ENDPB from July 2012 and returned to its previous charitable status and continues its work as a trust fund.

7.33 The following organisations changed their status or took on additional functions in 2012-13:

- The NHS Commissioning Board Authority changed its status from a Special Health Authority to an ENDPB from October 2012 as the NHS Commissioning Board, and from 1 April 2013 it has adopted the title of NHS England;
- Care Quality Commission took on new functions under the HSC Act including Healthwatch, in 2012, and joint licensing with Monitor, from April 2013, and
- Council for Healthcare Regulatory Excellence became the Professional Standards Agency on 1 December 2012 and is currently working towards taking on its new independent status from April 2014.

7.34 The financial performance for the SpHAs and ENDPBs are summarised in table thirteen below.

Table Thirteen: Summarised Financial Position for DH's Arm's Length Bodies in 2012-13 and prior year

Entity	Arms Length Bodies	Operating Costs 2012-13 £millions	Operating Income 2012-13 £millions	Net Operating Costs/ (Income) 2012-13 £millions	Net Operating Costs/ (Income) 2011-12 £millions
	Special Health Authorities				
ST1150	NHS Litigation Authority (NHSLA)	5,413.9	(1,005.7)	4,408.1	2,428.1
ST1440	NHS Institute for Innovation and Improvement	32.8	(6.6)	26.1	49.6
ST1450	NHS Business Services Authority (BSA)	724.5	(609.2)	115.3	154.8
ST1190	National Treatment Agency (NTA)	15.8	(4.9)	10.9	9.7
ST1240	National Patient Safety Agency (NPSA) [4]	0.6	(0.1)	0.6	19.6
ST1160	National Institute for Health and Clinical Excellence (NICE)	72.8	(7.3)	65.5	59.2
ST1430	Health and Social Care Information Centre (IC)	48.1	(11.1)	37.0	35.2
T1470	NHS Commissioning Board Authority [4]	18.2	(0.0)	18.2	4.4
T1480	Health Research Authority (HRA)	9.3	(0.3)	9.0	0.6
T1510	Health Education England [4]	2.7	0.0	2.7	NA
T1490	NHS Trust Development Authority [4]	2.6	(0.2)	2.4	NA
	Total	**6,341.3**	**(1,645.4)**	**4,695.9**	**2,761.1**
	Executive Non-Departmental Public Bodies				
ST1220	Appointments Commission [4]	0.8	(0.2)	0.6	2.1
CQC033	Care Quality Commission (CQC)	165.6	(93.0)	72.5	60.9
CRP033	Council for Healthcare Regulatory Excellence (CHRE)	3.5	(1.2)	2.4	2.5
GSC033	General Social Care Council (GSCC) [4]	6.5	(1.7)	4.8	19.3
HFE033	Human Fertilisation and Embryology Authority (HFEA)	5.1	(4.1)	1.1	(0.4)
HPG033	Health Protection Agency (HPA)	323.4	(179.6)	143.8	160.8
CBA033	NHS Commisioning Board [4]	43.6	(0.2)	43.4	NA
HTA033	Human Tissue Authority (HTA)	4.2	(3.3)	0.9	1.1
MIR033	Monitor	43.1	(0.4)	42.7	15.5
SKF033	Skipton Fund	18.4	(17.4)	1.0	15.1
	Total	**614.2**	**(301.1)**	**313.1**	**277.0**
	Combined Total	**6,955.5**	**(1,946.5)**	**5,009.0**	**3,038.1**

Notes

1. Figures may not sum due to rounding.
2. Figures are from the individual accounts and inter-group transactions have not be eliminated, so the totals do not represent the consolidated position.
3. Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, but it also includes other income such as that from Devolved Administrations and from other NHS organisations. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income.
4. Part year figures included for seven organisations

7.35 The majority of Special Health Authority spending relates to claims made to the NHS Litigation Authority (NHSLA) in respect of clinical negligence (net £5.4 billion of £6.3 billion total spending). Parliamentary funding is provided to NHSLA to meet the claims outside the NHS contribution scheme paid in the year rather than the estimated costs of those future claims. NHSLA's expenditure also includes £1.2 billion relating to the impact of the reduction in the Treasury discount rate on the valuation of their provisions. Further information is contained in Note 20 on provisions in the Accounts.

NHS Financial Performance

7.36 Each NHS organisation is subject to a series of either statutory or financial duties set by the Department. These differ slightly depending on the type of organisation and in particular, on whether an organisation's income is received as a result of direct Government funding allocations (i.e. commissioners of healthcare), or whether it is derived through trading activity (i.e. NHS providers). For example, NHS Trusts have a statutory break-even duty, by which the organisation must ensure that revenue is sufficient to meet expenditure, taking one year with another, while PCTs and SHAs have a statutory duty to contain resource expenditure, measured on an accruals basis, within approved revenue resource limits.

7.37 The PCT and SHA retained their statutory functions and duties throughout the year. They have been accounted for on a going-concern basis as, although each PCT and SHA closed on 1 April 2013, their main functions continue and have been transferred to other organisations in the health and care system. Transfers schemes under the Health and Social Care Act 2012 were used to transfer staff, property and other assets and liabilities on 1 April 2013.

7.38 Table fourteen below provides a summary of NHS financial performance by sector and SHA area for 2012-13 and 2011-12, showing the surpluses (or deficits) by the NHS organisations in each geographical area. In relation to both PCTs and NHS Trusts, Table fifteen shows the number of organisations in each sector reporting a gross surplus or deficit in 2012-13 and provides comparable figures for 2011-12.

7.39 The figures should be considered in the context that healthcare data for 2012/13 show growth in activity in most areas, compared with 2011/12. Nationally, compared with 2011/12 GP referrals increased by 3.3%. Other referrals grew by 4.9%, as did outpatient attendances which grew by 2.4%. Non-elective admissions have increased by 1.8%. Elective growth (i.e. elective ordinary admissions and elective day cases) was 1.8%. The number of day cases has grown steadily since 2003-04, and in 2012-13 the proportion of election admissions that were day cases was 79.8%.

Table Fourteen: Summary of NHS financial surplus (deficit) by sector and SHA geographical area

	2012-13				2011-12				Movement between 2012-13 and 2011-12			
Organisation	**SHA**	**PCT**	**NHS Trust**	**Total**	**SHA**	**PCT**	**NHS Trust**	**Total**	**SHA**	**PCT**	**NHS Trust**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
North East SHA	64	6	0	69	59	5	2	67	4	0	(2)	3
North West SHA	240	63	20	322	215	52	31	298	25	11	(11)	24
Yorkshire and the Humber SHA	148	70	(5)	214	118	69	(6)	181	30	2	1	33
East Midlands SHA	34	74	24	132	45	46	25	116	(11)	28	(1)	16
West Midlands SHA	7	62	54	122	38	54	33	125	(31)	8	20	(3)
East of England SHA	58	28	8	94	95	13	12	120	(37)	14	(4)	(26)
London SHA	97	236	(90)	243	256	187	(72)	370	(158)	49	(18)	(127)
South East Coast SHA	32	30	12	74	62	24	(3)	83	(30)	7	15	(9)
South Central SHA	40	46	9	94	55	18	8	80	(15)	28	1	14
South West SHA	118	66	15	199	118	59	29	206	1	7	(14)	(6)
Total - England	**839**	**680**	**45**	**1,564**	1,061	527	59	1,646	(222)	154	(14)	(82)
NHS Direct			(55)				1				(56)	
NHS Trust Impairments			(534)				(778)				244	
NHS Trust including Impairments			**(544)**				**(718)**				**174**	

Note
1. Figures may not sum due to rounding.
2. NHS Direct figures are unaudited due to the timing of the receipt of their audited accounts.

Table Fifteen: Number of Primary Care Trusts and NHS Trusts reporting a gross surplus or deficit

	2012-13		2011-12	
	PCT	**NHS Trust**	**PCT**	**NHS Trust**
Gross Deficit (£m)	(12)	(682)	(49)	(920)
Gross Deficit (number of orgs)	1	46	3	41
Gross Surplus (£m)	692	138	575	202
Gross Surplus (number of orgs)	150	59	148	72
Net Surplus / (deficit)	680	(544)	527	(718)

Note
1. Figures may not sum due to rounding

Primary Care Trust Financial Performance

7.40 PCTs had the responsibility for the commissioning of health care on behalf of their resident populations. They also ensured that the health and social care systems worked together for the benefit of patients, and that other health services are provided as required, including services from dentists, opticians, mental health professionals, NHS walk-in centres, patient transport, screening and pharmacies. In addition, many PCTs have, in past years, also provided healthcare and community services, although majority of these services transferred during 2010-11 and 2011-12 to NHS Trusts, NHS Foundation Trusts or social enterprises as part of the Transforming Community Services (TCS).

7.41 In 2011-12 the 151 PCTs were clustered into 51 separate groups to enhance resilience in the system prior to their close on 1 April 2013. This also ensured that managerial capacity and financial performance management could be maintained during the period. Clustering did not change the status of any individual PCT as a statutory accounting entity.

7.42 In 2012-13, PCTs reported a revenue resource limit under-spend of £680 million, an increase of £154 million when compared to 2011-12. On capital, PCTs reported an aggregate under-spend of £91 million against the overall capital resource limit, an increase of £22 million compared to 2011-12. The breakdown is shown below:

- Revenue: one PCT reported an aggregate revenue over-spend of £12 million and the other 150 reported an aggregate under-spend of £692 million (table fifteen).
- Capital: 126 PCTs reported an aggregate capital under-spend of £91 million, and 25 reported a balanced position.

7.43 In 2012-13, four PCTs retained their provider functions, and one did not fully recover its provider function costs from income provided by commissioners by the end of the year (2011-12:1 PCT).

7.44 Table sixteen analyses PCT operational expenditure, and shows how this relates to the purchase of healthcare on behalf of PCT resident populations. It shows that expenditure on secondary healthcare increased by 3.9%, mainly driven by growth in the general and acute spend and community health services, and the cost of primary healthcare fell by 1.0% with the largest component of this being prescribing costs.

Table Sixteen: PCT Operating Expenditure relating to primary and secondary healthcare purchased

	2012-13 £ millions	2011-12 £ millions	% Change From 2011-12
Purchase of Primary Healthcare			
GP Services	7,841	7,761	1.0%
Prescribing Costs	7,895	8,249	-4.3%
Dental Services	2,884	2,859	0.9%
General Ophthalmic Services	494	491	0.8%
Pharmaceutical Services	2,180	2,136	2.1%
Other	136	141	-3.3%
Total Primary Healthcare Purchased	**21,431**	**21,637**	**-1.0%**
Purchase of Secondary Healthcare			
Learning Difficulties	1,406	1,416	-0.7%
Mental Illness	8,796	8,608	2.2%
Maternity	2,583	2,621	-1.4%
General and Acute	41,778	40,204	3.9%
Accident and Emergency	2,462	2,326	5.8%
Community Health Services	9,749	9,119	6.9%
Other Contractual	3,311	3,170	4.4%
Total Secondary Healthcare Purchased	**70,086**	**67,465**	**3.9%**
Capital and Revenue Grants	203	212	-4.5%
TOTAL HEALTHCARE PURCHASED BY PCT	**91,719**	**89,314**	**2.7%**

Note
1. Figures may not sum due to roundings
2. The 2011-12 Learning Disabilities last year included some funding provided centrally by the Department to enable comparison to to 2010-11 expenditure.

7.45 The Government is committed to ensuring the best value for money for the taxpayer from NHS expenditure on drugs. It has two principal ways of achieving this:

- through the Pharmaceutical Price Regulation Scheme (PPRS) – which controls the price of branded prescription medicines supplied to the NHS by the regulation of manufacturer profits; and
- through the community pharmacy contractual framework – which uses the prices of a group of generic medicines to adjust the reimbursement prices of around 500 drugs. This allows profit margins to be monitored, and any excess profit, above that agreed in the framework, to be removed.

7.46 These actions have driven substantial savings in the cost of medicines in recent years, and is only partly shown by the decrease in prescribing expenditure indicated in the table above, as the figure also reflects an increase in the volume of drugs prescribed.

Strategic Health Authority Financial Performance

7.47 SHAs were responsible for the performance management of NHS Trusts and PCTs in their particular geographical area and for elements of specialist commissioning. By October 2011 the 10 SHAs had been organised into four clusters, to ensure that managerial capacity and focus was maintained during transition, and to ensure system-wide resilience. This clustering did not affect any individual organisation's status as a distinct accounting entity.

7.48 As with last year, all ten SHAs met their statutory financial duties in 2012-13, reporting a £839 million under-spend against the overall revenue resource limit. This compares to a £1,061 million under-spend in 2011-12. SHAs also reported a £17 million under-spend against the capital resource limit, compared to an £4 million under-spend in 2011-12.

NHS Trust Financial Performance

7.49 During the year:

- two NHS Trusts became Foundation Trusts; one at 1 April 2012 and one in-year,
- four NHS Trusts dissolved upon merger with Foundation Trusts, one at 1 April 2012 and three during the year,
- three NHS Trusts dissolved to merge in the formation of the new Barts Health NHS Trust on 1 April 2012 , and
- two new Community Service NHS Trusts were established on 1 April 2012, and assumed responsibility for the community services previously provided by PCTs in their area.

At the year end there were 101 NHS Trusts, and the 4 which dissolved in year produced part year accounts.

7.50 In 2012-13 NHS Trusts generated total revenues of £30.47 billion, a decrease of £0.44 billion compared with £30.91 billion in 2011-12. The reduction was caused in part by a number of NHS Trusts that merged with or became NHS Foundation Trusts during the year, and the full year effect of those that merged with or became FTs last year. This is partly offset by revenues arising from the transfer in of functions from PCTs and increases in clinical revenue.

7.51 Overall, NHS Trusts in 2012-13 reported an operating deficit of £10 million (before the impact of non-current asset impairments), which compares with a £60 million surplus in 2011-12. When impairments (£534 million) are taken into account, the deficit in 2012-13 increases to £544 million (table fourteen). It is this accounting deficit which is reported in individual statutory accounts, and includes the deficits of part year Trusts when they transferred their assets to FTs.

7.52 Some 87 out of a total of 105 NHS Trusts reported operating surpluses for the year before impairments, with the other 18 reporting deficits. As Table fifteen above indicates, 59 of the 105 Trusts generated an operating surplus of £138 million after the impact of impairments was taken into account. Out of the 46 Trusts reporting a deficit after impairments and for 10 of these organisations, this deficit is considered material (i.e. it is greater than 0.5% of revenue).

7.53 At 31 March 2013 NHS Trusts' net assets totalled £11.3 billion, compared with £12.1 billion at 31 March 2012. The decrease is due to a reduction the net book value of property plant and equipment. NHS

Trusts total cash balances amounted to £1,383 million at 31 March 2013 (2011-12: £1,161million), an increase of £222 million.

7.54 A summary of NHS Trust performance against duties relating to the capital absorption rate, External Financing Limit and Capital Resource Limit, is set out in Table eighteen below. The table includes the NHS Trusts which dissolved or gained NHS Foundation Trust status part-way through the year (4 in 2012-13). These Trusts had the opportunity to set their EFL and CRL control totals to match the charge against the EFL and CRL incurred during the part of the year that they were NHS Trusts so they could report a balanced position. In addition, those Trusts are shown as achieving the capital charge absorption duty, which is an annual measure.

Table Eighteen: Performance against Financial Duties

	2012-13		2011-12	
NHS Trusts achieving targets :	**Number**	**Percentage**	**Number**	**Percentage**
Capital Absorption Rate				
Total achieving 3.5% or more	43	44%	38	39%
After adjusting for immaterial results [2]	89	91%	92	94%
External Financing Limit				
Total meeting limit	104	99%	109	104%
After adjusting for de minimis overshoots [3]	104	99%	110	105%
Capital Resource Limit				
Total meeting limit	105	100%	105	100%
After adjusting for de minimis overshoots [4]	105	100%	105	100%
Total NHS Trusts	**105**	**100%**	**113**	**100%**

Notes
1. Source: 2012-13 and 2011-12 audited summarisation schedules of individual NHS Trusts.
2. A shortfall on the rate of return duty of less than 0.5% is treated as immaterial.
3. An EFL overshoot of less than £10,000 is treated as being within immaterial limits.
4. A CRL overshoot of less than £50,000 is treated as being within immaterial limits.

NHS Foundation Trusts Financial Performance

7.55 In the year to 31 March 2013, 145 NHS Foundation Trusts generated total revenues of £38.9 billion, an increase of £3.1 billion (8.6%) compared with £35.8 billion in 2011-12. Approximately 32% (£1.0 billion) of the increase was driven by the full year impact of six NHS foundation trusts authorised partway through 2011/12 and 20% (£0.6 billion) driven by the impact of two new NHS foundation trusts during the year. 10% (£0.3 billion) of the increase was caused by services that have been transferred by NHS foundation trusts as a result of transfers by absorption, and other increases were in clinical revenues resulting from winter pressure funding, reimbursement for high cost drugs, and higher activity levels.

7.56 Overall, NHS Foundation Trusts reported an operating surplus of £486 million in 2012-13 (i.e. before the impact of non-current asset impairments and gains from transfers), which compares with £437 million in 2011-12. The results for the year show that 124 out of 145 NHS foundation trusts generated a surplus for the year before charges for impairments and gains from transfers by absorption.

7.57 At 31 March 2013 NHS Foundation Trusts' net assets totalled £18.0 billion, compared with £17.5 billion at 31 March 2012. FTs total cash balances amounted to £4.5 billion at 31 March 2013 (2011-12: £3.9 billion), an increase of £0.6 billion. The increase is primarily driven by an improved operational performance and favourable working capital movements.

7.58 Further commentary together with the consolidated accounts of NHS Foundation Trusts are published on Monitor's website: NHS Foundation Trusts: Consolidated Accounts 2012-13.

8 ACCOUNTING FRAMEWORK

8.1. The Department's Annual Report and Accounts are published each year by HM Treasury, and form an essential part of the Department's accountability to both Parliament and the public for financial performance and the use of resources. These accounts also provide details of the high-level management and governance of the Department, and summarise performance, policy and financial achievements for the year just ended. The accounts consolidates the core Department with all NHS provider organisations, the Department's Arms Length Bodies, in addition to Strategic Health Authorities and PCTs for their final year.

8.2. In addition to the Annual Report and Accounts, the other key elements of financial accountability published during the year are as follows:

- **Parliamentary Estimates** – Estimates are the Government's requests for resources from Parliament, presented annually in a cycle prescribed by the Treasury. Details of each Department's Estimate can be found on the Treasury website: www.hm-treasury.gov.uk:
  - Main Supply Estimates start the supply procedure and are presented at the beginning of the financial year to which they relate;
  - Since 2011-12 only one Supplementary Estimate is permitted, and for 2012-13 this was voted in February 2013, and represented the final changes to supply and funding required by the Department for the year.
- **Public Expenditure Statistical Analyses** – The Government regularly publishes information on departmental and other government spending in the Public Expenditure Statistical Analyses (PESA). This analysis covers both spending plans and outturn expressed in terms of budgeting aggregates, and functional spending based on the Total Expenditure on Services framework (TES), which broadly represents the total revenue and capital spending of the public sector. In July 2012 Treasury published provisional 2012-13 expenditure against the Departmental Expenditure Limits and future year plans.

Account Structure and Resource Account Boundary

8.3. The Accounts relate to the financial year 1 April 2012 to 31 March 2013. They have been prepared in accordance with a direction issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. This direction is available online, on the HM Treasury website www.hm-treasury.gov.uk.

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

- 10 Strategic Health Authorities,
- 151 Primary Care Trusts,
- 9 Executive Non-Departmental Public Bodies,
- 11 Special Health Authorities that are not funded by trading activities,
- 105 NHS Trusts (including 4 dissolved during the year),
- 145 NHS Foundation Trusts (FTs)
- 1 other body (the Skipton Fund classed by the Office for National Statistics as central to government and sponsored by the Department of Health) and
- NHS charities – see below.

This group structure was set through HM Treasury's alignment legislation from 2011-12, and a list of the bodies is included at Note 33 to the accounts.

8.5. In 2012-13 the Office for National Statistics (ONS) also designated NHS charities as central government bodies, and so brought them within the DH group resource account. The accounts therefore for the first time includes the transactions and opening and closing balances from NHS charities for the current year and restatement for 2011-12, including the balance sheet at 1 April 2011. Note 31 to the accounts

provides details of their combined balance sheets and statements of financial activities, showing that a total of £1.9 billion net assets included in the group account from 1 April 2011.

8.6. The primary statements and related disclosures contained within these accounts show the total financial effects of all the activities in the year for all bodies within the Resource Accounting Boundary. The Comptroller and Auditor General audits these financial statements, and gives an opinion as to whether they provide a true and fair view. His opinion is provided with these accounts.

8.7. The standards for preparing the accounts in each financial year are set in the Government Financial Reporting Manual (FReM) which is available at www.financial-reporting.gov.uk. The Manual is given the force of law by an accounts direction issued by HM Treasury under section 5(2) of the Government Resources and Accounts Act 2000.

8.8. The statement of accounting policies (Note 1 to these accounts) provides further details of the accounting framework. NHS bodies and NHS Foundation Trusts are required to follow the FReM guidance referred to above, except where a divergence has been formally agreed between the Department or Monitor and HM Treasury. Treasury have agreed that charitable funds should once again not be consolidated into local NHS accounts in 2012-13. NHS Foundation Trusts also have agreed a further departure relating to the discounting of future cash flows to measure fair value. HMT have agreed that FTs should use a market rate to measure value, rather than the higher of either the rate intrinsic to the financial instrument or the real discount rate set by Treasury.

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

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

Resource Accounting Issues

8.10 When reading the Department's Annual Report and Accounts, a number of accounting issues should be considered:

- PCTs and SHAs closed on 1 April 2013, and are included for their last year in this Resource Account. Their activities and financial positions have been prepared on a going concern basis as their functions continue, being transferred within the new NHS structure to a range of organisations.
- National Insurance Contributions are recognised on a cash basis, which is an agreed departure from FReM .
- Public Dividend Capital issued by the Department on creation of new NHS Trusts, or write-off on the dissolution of NHS Trusts, is debited or credited to the General Fund rather than to the Consolidated Statement of Comprehensive Net Expenditure.
- Two bodies remain outside the Department's Resource Accounting Boundary – NHS Blood & Transplant and the Medicines & Healthcare Products Regulatory Agency – as these both have public corporation status.

Pension Liabilities

8.11 The Department's share of the transactions and balances of the Principal Civil Service Pension Scheme (PCSPS), to which its employees belong, and the transactions and balances of the NHS Pension Scheme are not consolidated in the Department of Health accounts. Separate accounts are prepared for

PCSPS and details can be found at: http://www.civilservice.gov.uk/pensions. The report and accounts of the NHS Pension Scheme are prepared separately by the Chief Executive of the NHS Business Services Authority, who is the Accounting Officer for the scheme. Further information is available at: http://www.nhsbsa.nhs.uk/Pensions.

8.12 Some NHS Foundation Trusts and Arm's Length Bodies have employees who are members of defined benefit schemes other than the NHS Pension Scheme, including the Local Government Pension scheme. Where the individual body is able to identify its share of the underlying assets and liabilities these are recognised in the accounts and are consolidated.

Contingent Liabilities

8.13 The Department discloses possible obligations that may arise but are dependent upon uncertain future events or decisions partly or wholly outside the control of the Department in the Contingent Liabilities note to the accounts. Note 26.1 reports that the Department had £45 million in quantifiable contingent liabilities at 31 March 2013. These are disclosed under parliamentary reporting requirements but are not disclosed under IAS37, as the likelihood of payment is remote.

8.14 In addition to these quantifiable contingent liabilities, a further 26 unquantified contingent liabilities (indemnities) were recorded in 2012-13. These indemnities mainly relate to potential legal action against organisations or individuals, and the Department continues to monitor the potential risks relating to these remote contingencies.

Public Dividend Capital

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

8.16 The rules governing PDC for NHS Trusts and NHS Foundation Trusts are provided in the NHS Act 2006. This allows for the use of PDC as originating capital for NHS Trusts, and initial PDC for NHS Foundation Trusts. The Act also sets out the Secretary of State's powers in determining the conditions under which PDC can be issued. Consequently, with the consent of the Treasury, the Secretary of State may determine, in respect of an NHS Trust:

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

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

8.17 A total of £528.9 million of PDC was cancelled in 2012-13 (Note 13 to the Accounts), with £178.1 million relating to four Trusts that dissolved upon merger with Foundation Trusts. The other £350.8 million represents the outstanding PDC of the three NHS Trusts dissolved when the new Barts Health NHS Trust was established on 1 April 2012.

Political Donations and Expenditure and Charitable Donations

8.18 The Department maintains a register for such items and one gift entry was recorded in 2012-13 with total value of £300,012, being a gift of stock made to International Health Partners for charitable use. This stock is a part of the Department's stockpile, which suppliers were unable to repurchase due to greatly reduced market demand. The Department continues to seek to minimise stock losses whilst maintaining an effective stockpile. HM Treasury approved this gift and a Parliamentary minute was laid on 29th November 2012, informing Parliament.

Disclosures in the Underlying Accounts

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

- Management commentary;

- The legislative, regulatory, operational and external environment in which the individual organisation operates;
- The organisation's policies for managing risk;
- Remuneration and pension entitlements in respect of senior managers;
- Interests of board members;
- Off-payroll appointments;
- Data loss incidents;
- Significant differences in asset values compared to market values;
- Environmental, social and community issues;
- Key performance indicators relating to employee matters and environment; and
- Auditors' remuneration in respect of non-audit services.

External Auditors

8.20 Finally, the Department's Resource Accounts have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General. Note 8 and 9 to the accounts disclose the audit, and where applicable the non-audit fees for the Department and the consolidated group bodies. The Department's audit fee is notional and is shown as a non-cash item in Note 8.

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

Una O'Brien

11 July 2013

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

Publications List

HMT Direction for Accounts
http://www.hm-treasury.gov.uk/d/accounts_direction_guidance.pdf

HMT Supply Estimates
http://www.hm-treasury.gov.uk/psr_estimates_mainindex.htm

HMT Public Expenditure White Paper
http://www.hm-treasury.gov.uk/pespub_index.htm

Annual Report of the Chief Medical Officer: On the state of Public Health
www.gov.uk/government/uploads/system/uploads/attachment_data/file/138331/CMO_Annual_Report_Volume_2_2011.pdf

The NHS Operating Framework 2012-13
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/152683/dh_131428.pdf.pdf

Department of Health, Accounting Officer System Statement
https://www.gov.uk/government/publications/accounting-officer-system-statement--2

Guide to the Health and Care System
https://www.gov.uk/government/publications/guide-to-the-healthcare-system-in-england

SUSTAINABLE DEVELOPMENT REPORT

Introduction

1. The Department of Health (DH) is committed to long-term sustainable development, and must ensure that, by delivering better care and well-being for the nation in 2013, it is also contributing to a strong, healthy and sustainable society for the generations of the future. This fundamental principle underpins the Department's health and social care vision, such that sustainability resonates with both staff and stakeholders.

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

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

Greenhouse Gas Emissions Performance Commentary

Table 1: Greenhouse Gas Emissions 2009-10 to 2012-13

GREENHOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	2012-13
Emissions (tonnes CO^2)	Total Gross Emissions	57,300	58,522	51,043	50,469
	Gross emissions Gas	13,864	14,089	10,573	11,780
	Gross emissions Electricity	36,973	38,227	34,898	33,391
	Gross emissions Travel	6,462	6,205	5,572	5,298
Related Energy Consumption ('000KWh)	Electricity: Non renewable	65,276	56,084	48,910	46,662
	Electricity: Renewable	2,667	14,164	15,219	14,698
	Gas	75,365	76,590	57,473	64,034
	Gas Oil	5,505	3,400	3,853	5,234
Financial Indicators (£k)	Expenditure on energy	8,554	8,433	7,592	7,993
	Carbon Offsetting costs	322	352	440	458
	Expenditure on business travel	27,221	21,593	17,966	18,040

Notes:

1. The gross emissions indicators cover core Department of Health, NHS Business Services Authority, Care Quality Commission, Monitor, Health and Social Care Information centre, Health Protection Agency, National Institute for Clinical Excellence and NHS Connecting for Health. For sustainability reports for individual organisations, please see their own Annual Report and Accounts.

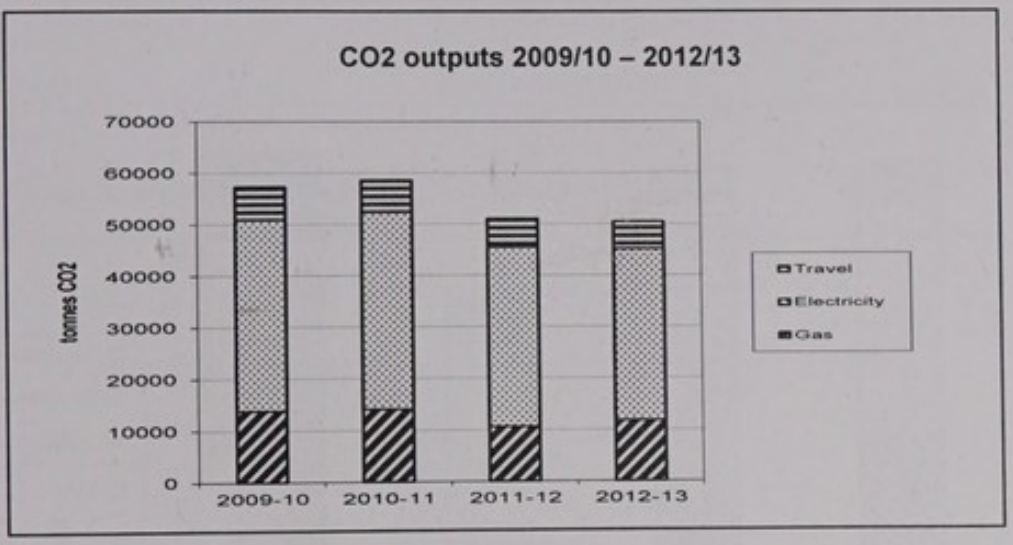
2. The core Department does not report on Quarry House for energy, waste and water. This is included in the sustainability reporting for Department for Work and Pensions.

3. We have been looking to improve the quality of the data provided and have been able to fill some of the gaps, which is why some of the previous years figures differ from last year's report.

4. The figures for Gross emissions for travel differ from last year's report. This is due to revision of the calculations for converting travel spend to CO^2 emissions.

5. Travel data includes international travel.

Figure 1. CO2 Output 2009-2012/3



3. The results presented in Table 1 indicate that DH is showing a 12% reduction between 2009-10 and 2012-13, which is just half way to meeting the 25% reduction by 2015. The Department had been showing a greater percentage decrease but the main impact has been in increase in gas consumption during Quarter 4 due to the very cold winter. Meanwhile we continue to implement initiatives to continue to reduce our carbon footprint, which have included the deployment of energy efficient IT, consolidation of estate, tighter controls, improved IT file storage facilities and the rationalisation of local IT servers.

4. The data has changed slightly from last years accounts as we focus on ensuring the improving quality of the data and reporting on areas where we were unable to report previously.

5. DH continues to work towards ensuring a consistent decrease in recorded emissions from business travel, which have decreased by 22% from 2009-10 to 2012-13. The main impact of this decrease were the restrictions on travelling during the Olympics and Paralympics which was enabled by the provision of additional video conferencing facilities across the estate and increased teleconferencing.

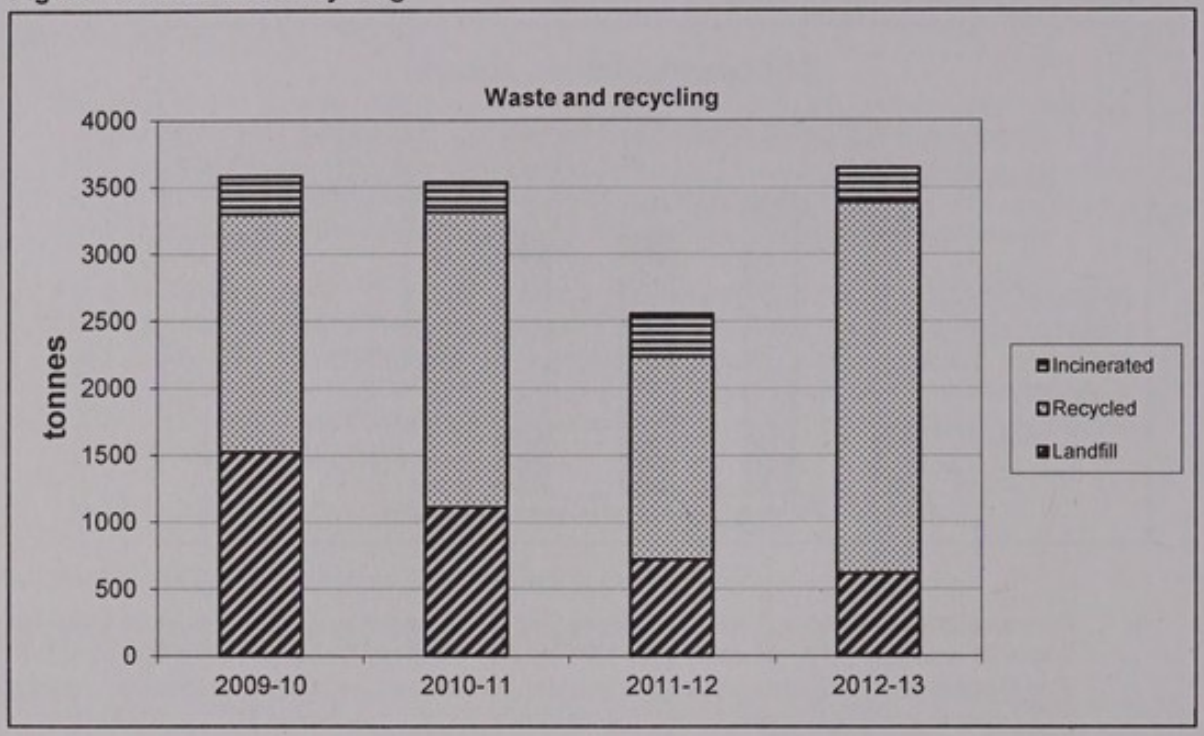
Waste

Table 2: Waste – Financial and Non-Financial Indicators

WASTE			2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tonnes)	Total Waste		3581.8	3537.3	2556.4	3644.3
	Non-Hazardous Waste	Landfill	1524.4	1111.6	720.8	619.3
		Reused/recycled (non-prescription waste)	1574.0	1612.9	1401.9	2417.0
		Reused/recycled (prescription waste)	200.0	585.0	114.0	350.0
		Incinerated energy recovered	276.6	221.2	313.1	258.0
		Incinerated energy not recovered	6.8	6.7	6.6	0.0
Financial Indictors (£k)	Total disposal cost (k)		873.0	926.6	672.3	561.2
	Hazardous Waste - Total Disposal Cost		311.0	348.4	227.7	244.4
	Non-Hazardous Waste - Total Disposal costs		562.0	578.2	444.6	561.2

Notes: 1. Increase in 2010/11 mainly due to an increase in prescription waste and better data reporting.

Figure 2: Waste and Recycling



6. Total waste figures for 2012/13 have increased significantly compared to 2011/12. The most significant factor behind the increase is the extensive refurbishment programmes that have been taking place on DH London Estate. Paper waste in particular saw a sharp spike. However the proportion of waste recycled across the DH/ALB estate in comparison to landfill has continued to improve despite the increased in total volume with 76% of total waste recycled, 7% incinerated with energy recovery and 17% to Landfill.

7. The Department disposes of it's ICT waste either by arranging the reuse of ICT units or recycling ICT materials. 1,527 units were sent for reuse and 95% of ICT materials were recycling in 2012-13.

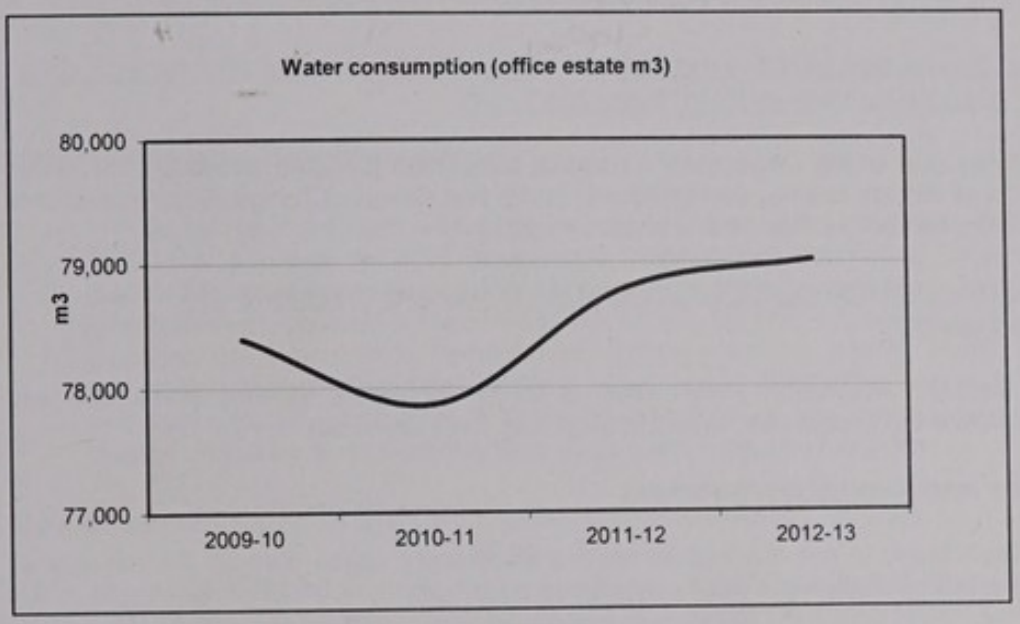
8. The Department is fully engaged with the Closed Loop Recycling initiative, launched by the Cabinet Office to provide for the recycling, production, delivery and collection of paper, and is developing an implementation strategy with HMRC, Arms Length Bodies and the new paper supplier.

Water

Table 3: Water Consumption – Financial and Non-Financial Indicators

WATER CONSUMPTION (m^3)			2009-10	2010-11	2011-12	2012-13
Non-Financial indicators (m^3)	Water Consumption (office estate)	Supplied	78,395	77,865	78,786	79,021
		Per FTE	7.93	8.26	9.38	8.30
	Water Consumption (total estate)	Supplied	283,469	267,462	250,243	278,477
Financial Indicators (£k)	Water Supply Costs (total estate)		376.7	337.8	301.5	346.5

Figure 3: Water Consumption Office Estate



9. As Table 3 indicates, the Department and its Arms Length Bodies water consumption has increased since 2009-10. The increase appears to be due to the significant increase in staff in core Department of Health buildings due to the co-location of Arms Length Bodies as the Department prepared for the new Health and Social Care system. The benchmark for water consumption is now on consumption (of water) per person on a Full Time Equivalent basis. At 8.303 per FTE, the Department will be consulting with its facilities suppliers on how to reduce its water consumption to meet the best practice target of less than 4 m3 per FTE.

Sustainable Procurement

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

11. The Department and its Arm's Length Bodies, along with a number of other central government departments, are looking to implement the CAESAR product. This will increase supplier engagement in this area and allow, for a more proactive approach. It will also provide more detailed management information than currently available to the Department.

Climate Change Adaptation

12. In March 2010, the Department published its Climate Change Plan. This sets out the detail of how DH will ensure that climate change issues are addressed as an integral part of both policies and operations. This plan is available at:

http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_114929

13. The Department has a Departmental Adaptation plan (published in March 2010 and updated in May 2011). This plan can be found by following the attached link:

    http://archive.defra.gov.uk/environment/climate/documents/dept-adapt-plans/dap-dept-health-110519.pdf

14. The Department of Health has published an annual 'Heatwave Plan'. For 2013, the annual plan was published by Public Health England and is available at:

    https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/201039/Heatwave-Main_Plan-2013.pdf

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

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

16. The National Adaptation Programme is to be published in July 2013 and will demonstrate the impact that climate change can have on health.

Biodiversity and Natural environment

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

Procurement of Food and Catering Services

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

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

Sustainable Construction

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

People

21. Improving the health and well-being of the nation is one of the Department's key responsibilities, and this core objective is extended to the Department's own workforce. For example, DH has implemented a Health & Well Being Board, with the key objective of "inspiring, promoting and encouraging the health and well-being of all staff, in line with the aspiration to become a Top 100 employer." The Department issues regular communications to its staff to reinforce the role that they can take, both within the workplace and outside, to reduce carbon emissions and change behaviour.

Governance

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

NHS Sustainable Development

23. The Department of Health works closely across Government (i.e. Defra, DECC) and, at NHS level, supports the NHS Sustainable Development Unit (SDU). The Unit assists the NHS in developing Sustainable Development Management Plans and making the links between sustainability and health care improvement. In January 2013, NHS SDU launched the Sustainable Development Strategy for the Health, Public Health and Social Care consultation. The SDU is now working in partnership across NHS England and Public Health England to support the system to reduce carbon, adapt to climate change and to be more sustainable in all its operations and functions.

Bodies consolidated in the Department's Sustainability Report

24. The ALBs included in these annual accounts are NHS Business Services Authority, Care Quality Commission, Monitor, Health and Social Care Information Centre, Health Protection Agency, National Institute for Clinical Excellence and NHS Connecting for Health. MHRA and NHS Blood and Transplant are excluded as they are categorized as Public Corporations. Also excluded as de minimus are the Appointments Commission, Council for Health Regulatory Excellence, Human Tissue Authority, NHS Litigation Authority, and the NHS Institute for Innovation and Improvement.

STATEMENT OF PRINCIPAL ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

3. HM Treasury has appointed the Permanent Secretary of the Department as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General. In preparing the accounts, the Principal Accounting Officer is required to comply with the Financial Reporting Manual, prepared by HM Treasury, and in particular to:
    - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
    - make judgements and estimates on a reasonable basis;
    - state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
    - prepare the accounts on a going concern basis.

4. In addition, HM Treasury has appointed:
    - the Chief Executive of the NHS as an Additional Accounting Officer to be accountable for the Department's own programme expenditure on the NHS and for overseeing the spending of all NHS bodies that are subject to direction by DH (that is, Primary Care Trusts, Strategic Health Authorities, Special Health Authorities and NHS Trusts); and
    - a separate Accounting Officer to be accountable for the NHS Pension Scheme and NHS compensation for premature retirement scheme Resource Account. These are produced and published as a separate account.

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

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

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

REMUNERATION REPORT

Remuneration Policy

1. The remuneration of senior civil servants (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB).

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

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

4. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Remuneration of Board Members and Directors General

5. The remuneration of the Permanent Secretary, the Chief Executive of the NHS and the Chief Medical Officer is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. Departments are given discretion in some areas to adapt the pay system to local needs under the auspices of a Departmental Senior Pay Strategy Committee and to produce an annual senior pay strategy.. The strategy document sets out how the system operates in the Department.

6. In 2012 the Senior Pay Strategy Committee was chaired by Una O'Brien (Permanent Secretary). The other members were Sir David Nicholson (NHS Chief Executive), Dame Sally Davies (Chief Medical Officer), Mike Wheeler (Non Executive Director), Karen Wheeler (Director General of Group Operation and Assurance Directorate), Flora Goldhill (Interim Director for People), Simon Reeve (FDA) and Kent Woods (Chief Executive MHRA). In 2013, Una O'Brien (Permanent Secretary) and Catherine Bell (Non-Executive Director) approved the strategy along with Kent Woods (Chief Executive of MHRA) and Duncan Selbie (Chief Executive of Public Health England).

7. From 1st April 2012, there was no change in base pay levels for the SCS. From 1st April 2013 the SCS received a consolidated pay increase limited to an average award of 1% excluding those in the bottom 10% performance group. This will be paid as a cash rather than a percentage increase according to SCS pay bands. For Directors General (SCS3 pay band) the consolidated pay increase will be £1,100. The remuneration of Directors General is determined by a pay committee in accordance with the rules set out in the Civil Service Management Code (Chapter 7.1, Annex A). In 2012 the relevant committee was chaired by Una O'Brien (Permanent Secretary). The other members were Sir David Nicholson (NHS Chief Executive), Dame Sally Davies (Chief Medical Officer)

and Mike Wheeler (Non-Executive Director). In 2013, the relevant committee was chairedby Una O'Brien (Permanent Secretary). The other members were Dame Sally Davies Chief Medical Officer and Shirley Pointer (HR Director).

8. In the case of the two inward secondees who served as Directors General, different remuneration arrangements apply. One of the secondees (Sir Bruce Keogh) is subject to SCS terms and conditions, which means that his pay is determined in the same way as the civil servants who are permanent employees of the Department. Sir Bruce Keogh remains a member of the NHS pension scheme. The pay of David Flory is determined in accordance with the pay framework for Very Senior Managers (VSMs) in the NHS which falls under the remit of the Senior Salaries Review Body. Any non-consolidated performance pay payable is subject to recommendation from the Department's Pay Committee.

Service Contracts

9. Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at http://www.civilservicecommissioners.gov.uk.

10. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme available on the civil service website, www.civilservice.gov.uk.

11. This Remuneration Report covers Ministers, non-Executive Directors, all officials sitting on the Departmental Board (DB) and Directors General (DGs) in the Department of Health. The following elements of the Remuneration Report are subject to audit:

- Salaries (including non-consolidated performance pay) and allowances;
- Compensation for loss of office;
- Non-cash benefits;
- Pension increases and values;
- Cash Equivalent Transfer Values (CETV) and increases;
- Amounts payable to third parties for the services of senior managers.

A – MEMBERS OF THE DEPARTMENTAL BOARD AND DIRECTORS GENERAL

12. The following table details the dates of appointment, and where appropriate, departure, of the seven officials sitting on the DB and the additional seven DGs. 12 held permanent Senior Civil Service contracts during this period, one was seconded and one was seconded and later on an IMAS placement.

Individual	Job Title	Date of Appointment to Grade/Departure	Employing Authority (if seconded)
SCS Contract			
Dame Christine Beasley	Chief Nursing Officer	19 October 2004 – 30 June 2012	
David Behan	Director General of Social Care, Local Government and Care Partnerships	29 August 2006 – 29 July 2012	
Katie Davies	Managing Director NHS Informatics	1 July 2011 – 31 August 2012 (on loan from Cabinet Office)	
Richard Douglas	Director General of Strategy, Finance and NHS	1 May 2001	
Mr Shaun Gallagher	Acting Director General of Social Care, Local Government & Care Partnerships	16 July 2012 – 7 March 2013	
Dr Felicity Harvey	Director General of Public Health	1 April 2012	
Mr Charlie Massey	Director General of External Relations	1 May 2012	
Sir David Nicholson	NHS Chief Executive	1 September 2006 – 31 March 2013	
Una O'Brien	Permanent Secretary	1 November 2010	
Jon Rouse	Director General of Social Care, Local Government & Care Partnerships	11 March 2013	
Ms Karen Wheeler	Director General of Group Operations and Assurance	1 April 2012	
Secondments			
Sir Bruce Keogh	NHS Medical Director	12 November 2007 – 31 March 2013	UCL Hospitals NHS Foundation Trust
David Flory	Director General of NHS Finance, Performance and Operations	1 June 2007 – 31 May 2013	NHS North East
IMAS[1] Placement			
David Flory	Director General of NHS Finance, Performance and Operations	1 June 2012 – 31 March 2013	NHS North East
Fixed Term Appointments			
Dame Sally Davies	Chief Medical Officer	1 June 2011	

[(1)]NHS Interim Management and Support (IMAS) placement is an interchange function between NHS employers and the Department which offers management expertise on a short or medium term.

13. Table 1 provides details of remuneration interests of the officials on the DB and DGs (provided on page 52).

Table 1

	Salary (excl non-consol perf pay)	Full Year Equivalent Salary (excl non-consol perf pay)	Non-consolidated performance payments[2]	Benefit in Kind (gross)	2011-12 Benefit in Kind (net)		Salary (excl non-consol perf pay)[13]	Full Year Equivalent Salary (excl non-consol perf pay)	Non-consolidated performance payments[4]	Benefit in Kind (gross)	2012-13 Benefit in Kind (net)
	£ '000	£ '000	£'000	nearest £100	nearest £100		£ '000	£ '000	£'000	nearest £100	nearest £100
Dame Christine Beasley[8]	65-70	140-145	Nil	Nil	Nil	Dame Christine Beasley[8,9,12]	30-35	140-145	Nil	Nil	Nil
David Behan	180-185	180-185	5-10	Nil	Nil	David Behan[12]	60-65	180-185	Nil	Nil	Nil
Clare Chapman[6]	60-65	220-225	Nil	Nil	Nil						
Christine Connelly[6]	60-65	200-205	Nil	Nil	Nil						
Katie Davis	80-85	140-145	Nil	Nil	Nil	Katie Davis	55-60	140-145	Nil	Nil	Nil
Dame Sally Davies[1]	35-40	225-230	Nil	Nil	Nil						
Dame Sally Davies	165-170	200-205	Nil	5600	4,900	Dame Sally Davies	200-205	200-205	not yet confirmed	13,400	11,800
Richard Douglas	140-145	140-145	5-10	Nil	Nil	Richard Douglas	140-145	140-145	10-15	Nil	Nil
David Flory[7]	205-210	205-210	10-15	42,800	37,700	David Flory[11]	50-55	205-210	not yet confirmed	7,300	6,400
						Shaun Gallagher	65-70	100-105	Nil	Nil	Nil
Flora Goldhill	130-135	130-135	Nil	Nil	Nil						
David Harper	120-125	130-135	Nil	Nil	Nil						
						Felicity Harvey	130-135	130-135	Nil	Nil	Nil
Sian Jarvis[7]	145-150	135-140	Nil	Nil	Nil						
Sir Bruce Keogh[10]	190-195	190-195	Nil	2,400	2,100	Sir Bruce Keogh[10]	115-120	190-195	10-15	8,400	7,400
						Charlie Massey	120-125	130-135	Nil	Nil	Nil
Sir David Nicholson[5]	210-215	210-215	15-20	56,400	45,700	Sir David Nicholson[9]	125-130	210-215	not yet confirmed	25,000	21,900
						Jon Rouse	5-10	140-145	Nil	Nil	Nil
Una O'Brien	160-165	160-165	Nil	Nil	Nil	Una O'Brien	160-165	160-165	not yet confirmed	Nil	Nil
						Karen Wheeler	140-145	140-145	10-15	Nil	Nil
Highest Earner's Total Remuneration (£'000)	285-290					Highest Earner's Total Remuneration (£'000)	235-240				
Median Total Remuneration (£)	40,410					Median Total Remuneration (£)	40,887				
Ratio	7.11					Ratio	5.8				

(1) Each of these individuals was seconded into the Department from NHS organisations and were paid by their employing authority. Details of their individual terms and conditions can be found in paragraph 8. The Department re-imburses the employing authority for salary and associated expenses. The table above shows the amount paid in salary by the employing authority not the amount invoiced to the Department.

(2) Performance pay is awarded in arrears and disclosed on an accruals basis. Therefore, the non-consolidated performance pay included in the 2011-12 column relates to 2011-12 performance year. Actual payments in respect of this performance year were made to individuals during 2012-13.

(3) Details of start and end dates for those not serving the full term can be found in paragraph 12.

(4) Performance pay is awarded in arrears and disclosed on an accruals basis. Therefore, the non-consolidated performance pay included in the 2012-13 column relates to the 2012-13 performance year. For the Permanent Secretary grade and NHS Directors General non-consolidated performance pay relating to 2012-13 performance year had not been determined at time of publication. This will be reported in 2013-14 Remuneration Report. For DH Directors General the non-consolidated performance pay relating to the 2012-13 performance year has been confirmed and is included within the above table.

(5) Sir David Nicholson gave up his rented accommodation in London in May 2011, the last payment for rent and related expenses was also in May 2011.

(6)Salary for 2011-12 includes payment in lieu of untaken annual leave.

(7) Salary for 2011-12 includes compensation in lieu of notice which was provided under approved Civil Service compensation arrangements.

(8) Dame Christine Beasley took partial retirement from 1 April 2011.

(9) Sir David Nicholson was seconded to NHS England (formerly the NHS Commissioning Board) for 2 days per week (40%) from 1 November 2011. He was paid total salary of £210k-215k in 2011-12 and 2012-13 in respect of his employment for the year. The amounts shown in table 1 under "Salary" heading represents the cost to the Department (60%) for carrying out his duties in the DH role, the balance was met by NHS England. Sir David also received £41,603 (gross) benefit in kind for the year, the amount shown in the table represents the proportion that relates to the Department, with the remainder being paid by NHS England.

(10) Sir Bruce Keogh worked for NHS England (formerly the NHS Commissioning Board) for 2 days per week (40%) from 10 December 2011. He was paid a total salary of £190k-195k for 2011-12 and 2012-13 for his employment for the year. The amounts shown in table 1 represents the cost to the Department for carrying out his duties in his DH role, the rest was met by NHS England. The benefit in kind is for a return journey each week in relation to his DH secondment and therefore 100% relates to the Department.

(11) David Flory's secondment ceased on 31 May 2012 and he worked on a part-time basis on a NHS IMAS Placement from 1 June 2012. He was paid a total salary of £205k-210k for his employment for the year. The amount shown in table 1 represents the cost to the Department (25%) for carrying out his duties in the DH role, 75% was met by NHS Trust Development Authority. The majority of the benefit in kind is related to David's role in the Department with the exception of the lease car which has been apportioned between the Department (25%) and NHS Trust Development Authority (75%). The total benefit in kind for 2012-13 is £8,626 (gross).

(12) Salary includes payment in lieu of untaken annual leave.

14. Table 2 provides details of pension interests of officials on the DB and DGs.

		Accrued pension at pension age as at 31/03/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age £ '000	CETV at 31/03/13 £ '000	CETV at 31/03/12 £ '000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Dame Christine Beasley [2]	Chief Nursing Officer	0-2.5 plus lump of 2.5-5	0-2.5 plus lump of 0-2.5	21	17	3	N/A
David Behan	Director General of Social Care, Local Government and Care Partnerships	10-15	0-2.5	238	212	23	N/A
Katie Davis	Managing Director of NHS Informati	15-20	0-2.5	229	197	21	N/A
Dame Sally Davies[1]	Chief Medical Officer	5-10	2.5-5	149	66	65	N/A
Richard Douglas	Director General of Policy, Strategy & Finance	60-65 plus lump sum of 190-195	2.5-5 plus lump sum of 5-10	1,337	1,214	54	N/A
David Flory	Director General of NHS Finance, Performance and Operations	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 5-10	547	466	35	N/A
Shaun Gallagher	Director General of Social Care, Local Government and Care Partnerships	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 5-10	355	314	24	N/A
Felicity Harvey	Director General of Public Health	50-55 plus lump sum of 160-165	5-10 plus lump sum of 15-20	1127	959	106	N/A
Sir Bruce Keogh	NHS Medical Director	75-80 plus lump sum of 230-235	-0 to 2.5 plus lump of sum ' - 2.5 to 5	1,748	1,645	17	N/A
Charlie Massey	Director General of External Relationships	30-35 plus lump sum of 95-100	2.5-5 plus lump sum of 10-15	443	376	43	N/A
Sir David Nicholson	NHS Chief Executive	115-120	5-10	2,163	1,933	116	N/A
Una O'Brien	Permanent Secretary	40-45 plus lump sum of 130-135	2.5-5 plus lump sum of 5-10	878	775	58	N/A
Jon Rouse	Director General of Social Care, Local Government and Care Partnerships	0-2.5	0-2.5	2	0	1	N/A
Karen Wheeler	Director General of Group Operations and Assurance	35-40	2.5-5	705	590	60	N/A

(1) Under the NHS Pension Scheme rules, the pension cannot be transferred for those over pension age so CETV value is nil.

(2) Christine Beasley took partial retirement from 1 April 2011, this figure reflects pension and lump sum paid plus pension and lump sum accrued from April 2011.

Median Earnings

15. Reporting bodies are required to disclose the relationship between the salary of the most highly paid individual in their organisation and the median earnings of the organisation's workforce. The total remuneration of the most highly paid individual in Department of Health in the financial year 2011-12 was £285-290k. This was 7.1 times the median salary of the workforce, which was £40,484. The total remuneration of the most-highly paid individual in Department of Health in the financial year 2012-13 was £235-£240k. This was 5.8 times the median salary of the workforce, which was £40,887.

16. Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The median salary increased by less than 1% between the two years. This will be as a result of a variety of factors, including the £250 pay rise for those earning £21,000 or less, promotions, increase in temporary promotions during transition, use of reward and recognition awards and the effect of a changing staff population as a result of restructuring.

17. Staff from the Department's executive agency, MHRA are not included in the calculation because no MHRA staff costs are included in the core Departmental accounts. The calculation of the median does not include agency workers or other non permanent

workers such as interims, secondees in or staff who are 'hosted' by other bodies as central records on the remuneration of these workers are not currently held.

Salary

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

Non-Consolidated performance pay

19. The performance management and reward policy for members of the Senior Civil Service, including board members, is managed within a central framework set by the Cabinet Office. The framework allows for non-consolidated performance-related awards following Senior Salaries Review Body(SSRB) recommendations. The Senior Civil Service Performance Management and Reward principles, which include explanations of how non-consolidated performance awards are determined, can be found at: www.civilservice.gov.uk. SCS non-consolidated performance pay is allocated from a central 'pot', which is agreed each year following SSRB recommendations, and is expressed as a percentage of the Department's total base pay for the SCS. Pay committees are responsible for assessing, in the light of the SCS Pay Strategy, the relative contribution of individual SCS members and making the final pay decisions. Non-consolidated performance pay is awarded in arrears. The non-consolidated performance pay included in the 2011-12 figures in Table 1 relates to awards made in respect of the 2011-12 performance year but paid in 2012-13. A flat rate of £8,500 was paid to the top 25% performers in 2012. Non consolidated performance pay for 2012-13 will be paid to the top 25% performers, differentiated by grade, for Directors General (SCS3 pay band) the award will be £15,000. This will be paid in 2013-14.

Benefits in Kind

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

21. Four members of the Departmental Board and Directors General received payments deemed by the HMRC to be benefits in kind. Sir David Nicholson's contractual base is Birmingham with regular travel between London and Leeds. The expenses for the multi office journeys are accounted for as a benefit in kind, which in 2012-13 amounted to £41,603 (gross). Sir David worked three days per week in the Department and two days a week at NHS England during 2012-13 and the benefit in kind has been apportioned accordingly. The proportion that relates to the Department is £24,961 (gross).

22. David Flory has been on secondment from NHS North East (previously known as North East Strategic Health Authority) since 1st June 2007. The secondment ceased on 31 May 2012. During the secondment he was entitled to accommodation and travel expenses for living away from home. As the secondment was in place beyond two years, these expenses were accounted for as a benefit in kind, which in 2012-13 amounted to £6,812 (gross). He also had the benefit of a lease car under the North East SHA's family lease car salary sacrifice scheme. Even though the car is not for work use, there is a benefit in kind of £1,814 (gross) in 2012-13. During 2012-13 David's time was split 25% in the Department and 75% with the NHS Trust Development Authority. The cost of the lease car has been apportioned accordingly, the proportion that relates to the Department is £454 (gross). The total benefit in kind for accommodation and travel expenses and proportion of lease car is £7,266 (gross). David received a payment of £37,943 to cover the tax due on his benefits in kind in the 2011-12 tax year and £6,234 for the 2012-13 tax year.

23. Sir Bruce Keogh received £8,421 (gross) benefit in kind for 2012-13 for travel expenses. Sir Bruce worked three days per week in the Department and two days a week at NHS England during 2012-13 however the benefit in kind was for a return journey each week in relation to his secondment at the Department and therefore 100% of the benefit in kind related to the Department.

24. Dame Sally Davies has occasional use of an official car for the journey between her home and office. The benefit in kind amounted to £13,400 (gross) in 2012-13.

Civil Service Pensions

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

26. Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for Classic and 3.5% and 5.9% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

28. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is currently 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

29. Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

30. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulation 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase in CETV

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

Table 1 - Remuneration interests of officials who are members of the DB and DGs.

Table 2 – Pension interests of officials who are members of the DB and DGS.

B - MINISTERS

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

33. The following Ministers were in post during the 2012-13 financial year:

Minister		Date Appointed
Rt Hon Andrew Lansley CBE, MP	Secretary of State [1]	12 May 2010
Rt Hon Jeremy Hunt MP	Secretary of State	04 Sep 2012
Paul Burstow MP	Minister of State [2]	13 May 2010
Mr Norman Lamb MP	Minister of State	05 Sep 2012
Rt Hon Simon Burns MP	Minister of State [2]	13 May 2010
Dr Daniel Poulter MP	Parliamentary Under Secretary	05 Sep 2012
Ms Anne Milton MP	Parliamentary Under Secretary [2]	14 May 2010
Ms Anna Soubry MP	Parliamentary Under Secretary	05 Sep 2012
Earl Howe	Parliamentary Under Secretary	14 May 2010

1 Left post 03/09/2012
2 Left post 04/09/2012

Table 3 provides details of remuneration interests of Ministers:

Table 3

	2011-2012				2012-13				
	Salary	Full Year Equivalent Salary	Lords Ministers Night Subsistence	FYE Lords Ministers Night Subsistence	Salary	Full year Equivalent Salary	Lords Office Holders' Allowance	FYE Lords Office Holders' Allowance	Compensation for Loss of Office
	£	£	£	£	£	£	£	£	£
Jeremy Hunt [5]					34,413	68,827			
Norman Lamb [7]					16,501	33,002			
Daniel Poulter [6]					13,692	23,697			
Anna Soubry [6]					13,692	23,697			
Earl Howe [1,2]	68,710	68,710	18,183	18,183	68,710	68,710	18,183	18,183	
Andrew Lansley [1,3]	68,827	68,827			31,727	68,827			
Simon Burns [1,4]	33,002	33,002			16,501	33,002			
Paul Burstow [1,4]	33,002	33,002			14,118	33,002			8,251
Anne Milton [1,4]	23,697	23,697			11,514	23,697			

[1] There was no increase for 2012-13 with salaries remaining at the entitled rate as at 31 March 2008.

[2] Earl Howe is entitled to the full amount of Lords Ministers Night Subsistence however, he only claimed 50% of his entitlement which amounts to £18,183 in 2011-12 and 2012-13.

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

4 Ministers in post until 4 September 2012.

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

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

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

Table 4 provides details of pension interests of Ministers.

Table 4

	Real increase in pension	Pension at End Date	CETV at Start Date (31/03/12)	CETV at End Date (31/03/13	Employee contributions and transfers in	Real increase in CETV as funded by employer
	(£ '000)	(£ '000)	(£ '000)	(£ '000)	To nearest £1,000	To nearest £1,000
Jeremy Hunt	0-2.5	0-5	41	53	6	5
Norman Lamb	0-2.5	0-5	20	28	3	4
Daniel Poulter	0-2.5	0-5	0	2	1	1
Anna Soubry	0-2.5	0-5	0	5	2	3
Earl Howe	0-2.5	10-15	202	239	9	18
Andrew Lansley	0-2.5	0-5	34	43	3	6
Simon Burns	0-2.5	0-5	59	65	2	4
Paul Burstow	0-2.5	0-5	23	28	2	3
Anne Milton	0-2.5	0-5	20	23	1	1

Salary

34. In respect of Ministers in the House of Commons, Departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1st April 2010) and various allowances to which they are entitled are borne centrally. The Department does pay legitimate expenses for Ministers which are not a part of the salary or a benefit in kind.

35. However, the arrangement for Ministers in the House of Lords is different, in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in Table 3.

Ministerial pensions

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

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

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

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

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

Cash Equivalent Transfer Values

41. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

42. This reflects the increase in accrued pension funded by the Exchequer. It does not include the increase in accrued pension due to inflation or contributions paid by the Minister. It uses common market valuation factors for the start and end of the period.

C – NON-EXECUTIVE DIRECTORS

43. In line with Cabinet Office guidance, the Departmental Board (DB) has five Non-Executive Board Members. Non-Executive Board Members are not employees of the Department. They are appointed for a fixed term of three years initially, with the possibility of extension. They are appointed primarily to attend and contribute to DB meetings, which involve an estimated time commitment of eleven three-hour meetings, and occasional overnight events per year. One of the Non-Executive Members chairs the Department's Audit Committee (4-5 meetings per year). The lead Non-Executive Board Member chairs the Department's Nominations and Governance Committee, which has an additional Non-Executive

Member. The Non-Executive Members also make a significant contribution to Departmental business by working through Committees and with senior officials.

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

45. Mike Wheeler was appointed on a three year fixed term contract from 1 July 2011 on an annual fee of £20,000 (£15,000 as a Board member and £5,000 as Chair of the Audit and Risk Committee) which is paid monthly in arrears. Catherine Bell was appointed on a 3 year fixed-term contract from 1st January 2011 on an annual fee of £15,000 which is paid monthly in arrears. She has also claimed expenses amounting to £408. David Heymann was appointed on a fixed-term contract for the period January 2011 to April 2012 and was reimbursed for his expenses only. His contract was extended until April 2013. Peter Sands and Chris Pilling were both appointed on three year contract; Peter Sands from 1 May 2011 and Chris Pilling from 1 April 2011. Both waived their fees and are reimbursed for their expenses only. They have not made any expense claims for 2012-13.

46. Non Executive Directors fees are not pensionable.

Una O'Brien

11 July 2013
Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

RELATIONSHIP BETWEEN ACCOUNTING OFFICERS IN THE DEPARTMENT OF HEALTH, ITS AGENCIES AND THE NHS

1. This Note sets out the nature of the relationship between Accounting Officers in the Department of Health, its Arms Length Bodies, the NHS and Foundation Trusts. It refers to Managing Public Money published by HM Treasury.

2. As Principal Accounting Officer, the Permanent Secretary of the Department of Health is accountable for the Department's administration, some central health and miscellaneous health services, those elements of social services expenditure within the Department's responsibilities, Welfare Foods, European Economic Area (EEA) medical costs and resources voted for the Office of the Independent Regulator for NHS Foundation Trusts. As Head of the Department, she takes responsibility for the consolidation of the Department's Accounts and for the voted cash requirement, and has the Department-wide responsibility for the good management of the Department as a whole, including a high standard of financial management. This includes the parts of the Department managing the NHS (as distinct from the NHS itself) and the Department's Agencies, since they are parts of the Department operating in support of the Secretary of State. The Principal Accounting Officer is responsible for carrying out the duties set out in Chapter 3 of Managing Public Money.

3. As an Additional Accounting Officer the Chief Executive of the NHS is directly responsible to the Secretary of State for the management of the NHS. He is accountable for the Department's own programme expenditure on the NHS and for overseeing the spending of all NHS bodies that are subject to direction by DH (that is, Primary Care Trusts, Strategic Health Authorities, Special Health Authorities and NHS Trusts) He is responsible for carrying out the duties set out in Chapter 3 of Managing Public Money.

4. Chief Executives of NHS Foundation Trusts are designated by legislation as Accounting Officers, and are accountable for the expenditure relating to those bodies and for safeguarding public funds and the organisations' assets. Their responsibilities are set out in the NHS Foundation Trusts Accounting Officer Memorandum, based on Managing Public Money. NHS Foundation Trusts are financially independent organisations and are not directly accountable to the Department. NHS Foundation Trusts are held to account by their governors, who represent their membership and communities they service, and they apply the national standards and legal framework for the NHS. Each NHS Foundation Trust lays their annual report and accounts before Parliament.

5. The Chief Executive of the Medicines & Healthcare Products Regulatory Agency and NHS Blood & Transplant are accountable for the expenditure relating to these Trading Funds. They are responsible for carrying out the duties set out in Chapter 3 of Managing Public Money in respect of the Agency. Their accountability are subject to the Permanent Secretary's overall responsibility for the organisation and management of the Department of Health.

6. Chief Executives of NHS Trusts, Primary Care Trusts and Strategic Health Authorities are designated as Accountable Officers and Chief Executives of Special Health Authorities are designated as Accounting Officers, who are accountable to Parliament through the NHS Chief Executive for the efficient, effective and proper use of all the resources in their charge. The Chief Executives of Special Health Authorities are accountable for the expenditure relating to those bodies. They are responsible for carrying out the duties set out in Managing Public Money in respect of those Authorities. Their accountability is subject to the Permanent Secretary's overall responsibility for the organisation and management of the Department of Health.

7. The Chief Executive of the NHS Business Services Authority is also the Accounting Officer for the NHS Pension Scheme. He is responsible for carrying out the duties set out in Chapter 3 of Managing Public Money in relation to the operation of the NHS Pension Scheme. In respect of the

administrative expenditure of the Authority, the Chief Executive's responsibilities are set out in the Authority's Framework Document and his letter of designation as Authority Accounting Officer.

8. The Chief Executives of Non Departmental Public Bodies are designated as Accounting Officers and are accountable to Parliament through either the Permanent Secretary or the NHS Chief Executive, depending upon their designation, for the efficient, effective and proper use of all the resources in their charge. They are responsible for carrying out the duties set out in Managing Public Money in respect of their organisations.

GOVERNANCE STATEMENT

Scope of Responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Health's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. During 2012-13 I was supported in exercising this responsibility by the Chief Executive of the NHS in his capacity as Additional Accounting Officer for the resources voted by Parliament for the NHS.

2. This Statement is given in respect of the Annual Report and Accounts for the Department of Health, which consolidates the financial information of organisations within the Department's Accounting Boundary, as set out in paragraphs 8.1-8.6 of this End Of Year Report. As paragraph 8.4 states, the formal relationships between organisations within the Resource Accounting Boundary and the Department are varied, encompassing Executive Non-Departmental Public Bodies, an Executive Agency, Strategic Health Authorities, Primary Care Trusts, NHS Trusts and NHS Foundation Trusts. The nature of control in the Department of Health group is consequently substantially different from the concept of a group in the commercial sector.

3. The following sections cover the core Department (DH), its Arm's Length Bodies (ALBs), and the NHS (Strategic Health Authorities, Primary Care Trusts and NHS Trusts). The Accounting and Accountable Officers for all of these organisations were appointed by either myself or Sir David Nicholson in his capacity as Accounting Officer for the NHS. This Statement also has a section covering NHS Foundation Trusts, whose Accounting Officers are directly accountable to Parliament.

4. I am responsible for ensuring that there is a high standard of financial management in the Department as a whole. Therefore, I have a duty to be satisfied that ALBs sponsored by DH and those NHS organisations for which I am accountable, have in place adequate financial systems and procedures to promote the efficient and economical conduct of their business and to safeguard financial propriety and regularity. I am also accountable for ensuring that administration revenue expenditure is contained within the Department's administration limit and across the core Department, NHS commissioners and ALBs.

Compliance with the Corporate Governance Code

5. The detailed provisions of the *Corporate Governance Code* published by HM Treasury and the Cabinet Office relate to Ministerial departments, of which the Department of Health is one. This Governance Statement is intended to demonstrate DH's compliance with the principles set out in the Code.

Local Accountability frameworks

6. The Department of Health published on its website an Accounting Officer (AO) System Statement in January 2012, setting out my responsibilities for the three devolved service sectors that DH oversees in England: the NHS, public health and adult social care. These sectors are funded and structured differently, and have different mechanisms for accountability. The Government's reforms to the NHS and public health will significantly affect the way accountability works, and the Statement was updated and republished on the DH website in August 2012 in the light of amendments to the Health and Social Care Bill before it was enacted as the Health and Social Care Act 2012.

7. This Governance Statement covers the financial year 2012-13, which, as covered in paragraphs 46 to 56 of this Statement was a significant year for the Department of Health and the wider system as we prepared for the new health and care system becoming fully operational. This Statement therefore refers to bodies such as Strategic Health Authorities and Primary Care Trusts which do not feature in the current landscape. The Governance Statement published next year will cover the new health and care system for the financial year 2013-14 and describe how internal control has been applied accordingly.

8. The AO System Statement referred to in paragraph 6 set out the accountability arrangements in place in 2011-12 and 2012-13, and it includes a forward look to arrangements post April 2013. The Department will shortly issue a revised and updated version that reflects the reformed health and care system established on 1st April 2013.

9. In terms of the allocation of funds to Primary Care Trusts (PCTs) in the financial year 2012-13 a slightly adapted method was used compared with that of previous years. Usually the Department used a national weighted capitation formula to determine the fair share recurrent allocation of resources to PCTs. The objectives of the formula were to support equal access for equal need and to contribute to the reduction in avoidable health inequalities. Actual allocations were set by pace of change policy, which dictated the pace with which PCTs were moved through differential growth towards their fair share. This balanced providing stability in funding to all PCTs with higher growth in funding to PCTs below their fair share.

10. To provide the NHS with financial stability in a year of transition, the weighted capitation formula was not applied anew for 2012-13; instead all PCTs received a uniform uplift to their 2011-12 allocations.

11. An independent committee, the Advisory Committee on Resource Allocation (ACRA), provided advice on the weighted capitation formulae for both of these allocations. ACRA's membership comprises individuals with a wide range of relevant experience and expertise from within and outside the NHS, including NHS managers, public health experts, academics, GPs and representatives from other Government departments.

12. For the financial year 2013-14, the Department is responsible for the allocation of the ring-fenced public health grants to local authorities and NHS England is responsible for allocations to Clinical Commissioning Groups. ACRA will still provide advice on the formulae underpinning the allocation of these funds.

13. For the recurrent revenue allocations for 2012-13, the Department was clear about the priorities for the NHS through the annual NHS Operating Framework published in November 2011. It was then for individual PCTs to decide how their resources were invested to meet the healthcare needs of their local populations, taking account of local and national priorities.

14. At the end of the financial year, the Accountable Officer in each NHS trust, Primary Care Trust (PCT) and Strategic Health Authority (SHA) was required to submit to the NHS Chief Executive and the Department an audited annual Governance Statement. Each statement set out how successfully the organisation had coped with the challenges it faced and is facing and gave an indication as to the strength or vulnerability of the organisation's performance. The Governance Statement constitutes a position statement and provides evidence on governance, risk management and control in order to provide a coherent and consistent reporting mechanism.

15. In light of the abolition of PCTs and SHAs from 1 April 2013, draft governance statements were produced before 31 March 2013 and approved by SHA and PCT boards (or audit committees with delegated responsibility). Closedown teams led by former SHA and PCT Chief Executives and Directors of Finance then updated these statements for any significant issues identified in advance of the signing of the audited accounts.

16. Throughout the year, in terms of financial performance and use of the allocated funds, a quarterly report, The Quarter, was published which included a summary of the overall NHS financial forecast for each NHS trust, PCT and SHA.

17. In terms of operational objectives, the NHS Chief Executive set out expectations for the NHS in 2012-13 in the annual NHS Operating Framework, which was published in November 2011. NHS organisations in turn submitted plans to deliver the commitments in the Operating Framework and then data was collected to monitor the delivery of these plans.

18. Strategic Health Authorities (SHAs) held NHS trusts to account for delivering Operating Framework requirements through regular performance monitoring. The DH in turn oversaw SHAs; formal

performance management discussions were undertaken at regular intervals supported by data monitoring and intelligence from engagement with professional bodies and regulators. This in turn fed into six monthly and annual reviews with SHA Chief Executives.

19. In order to provide the Permanent Secretary and, up until 31 March 2013 the Chief Executive of the NHS, with the necessary level of assurance on the use of money by these NHS organisations, regular monitoring by the Department and reporting took place.

20. The Department performed a monthly monitoring exercise which included the collection of financial monitoring returns through SHAs at organisational level, showing actual expenditure against plan. In addition to performance monitoring, financial reporting and management, the financial returns were also used for policy decision-making purposes.

21. An overall NHS finance report was presented monthly to the NHS Operations Executive until the end of March 2013 as part of the overall performance reporting. This included reports on activity and on the efficiency challenge, QIPP (Quality, Improvement, Productivity and Prevention). In addition, reports received by the Departmental Board included reports on the in-year performance of the NHS, spanning the areas of finance, quality, access, workforce and efficiency.

22. Where individual organisations were failing to meet key performance standards, DH through the NHS Leadership team expected SHAs, working through Primary Care Trust clusters to remain accountable by holding the failing organisation to account ensuring that plans for improvement and recovery were in place and implemented.

23. The Adult Social Care Outcomes Framework, together with related Local Authority data collections, is the key mechanism for measuring the outcomes and experience of people who use services and their carers, demonstrating what local authorities have achieved. The publication of this information allows for assessments of the performance of individual local authorities, encourages sector-led improvement initiatives, and supports greater local accountability.

24. The Department is working in partnership with a range of initiatives to improve performance, led by the social care sector. These include the Think Local, Act Personal partnership (focussing on the development of personalised and community-based care and support), the Towards Excellence in Adult Social Care programme (focussing on the performance of Local Authorities) and the Local Government Association's Adult Social Care Efficiency Programme (focussing on achieving value for money in care and support).

25. In terms of grants to local authorities, the single significant grant 2012/13 was £1.3 billion for the Learning Disability and Health Reform Grant. This was not ring-fenced, though specific guidance was attached on the intended focus of the funds. The Department accounts for the outcomes achieved through this grant as part of its overall approach to monitoring performance in adult social care.

26. In relation to grant funding to the voluntary sector, the Department has a variety of measures in place to ensure that all grants awarded constitute value for money. For example, the system covering grants issued to voluntary organisations under section 64 of the Health Services and Public Health Act 1968, requires that prior to their award they are approved by HM Treasury to ensure they offer value for money, and fit with the Departments' priorities. Internal Audit reviewed how voluntary sector grants are being managed in practice by budget holders, following which they recommended a number of improvements to ensure that internal controls are improved and risks mitigated. The Voluntary Sector Grants Hub will ensure that the recommendations are implemented during the coming year.

The Department's system of internal control

27. The system of internal control is the set of processes and procedures in place in the Department of Health and the wider DH Group to ensure that the Group delivers its policies, aims and objectives. It is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

28. The system of internal control allows risk to be managed to a reasonable level rather than eliminating all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was in place in the Department for the year ending 31st March 2013 and up to the date of approval of the annual report and consolidated accounts, and accords with Treasury guidance.

29. In addition, a quarterly Core Accountability Review process is being introduced for 2013-14 to further support accountability in the Department and our Arms' Length Bodies to uphold the integrity of the new system.

30. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control in the Department. Directors-General have responsibility for ensuring that their directorates are managed on the basis of demonstrable and evidenced compliance with an internal control framework, which contains five core assurance standards covering: planning and delivery, resource management, policy development, risk management and governance of arm's length bodies and national programmes.

31. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the comments made by the external auditors (the National Audit Office) in their management letter and other reports, including Value for Money reviews. Recommendations are implemented on a timely basis.

The DH Group governance framework

32. In line with central guidance on corporate governance, the Department's Board is chaired by the Secretary of State and includes non-executives from outside government. This brings together Ministerial and civil service leadership with non-executive challenge. The arrangements for management and governance of the Department, including the board and committee structure that underpins the Departmental Board, are set out in detail in section 4 of this Annual Report and Accounts. The Board's ways of working will be updated over Summer 2013 to reflect better the Department's new role. This is due to be agreed by the Board by the summer of 2013, alongside updated governance structures to reflect the Department's new role.

33. The Departmental Board met on ten occasions in 2012-13. Four of these meetings were performance meetings, where the formal quarterly performance report and financial information were considered. The other meetings were strategy meetings, where a range of issues of strategic importance were considered. The Secretary of State chaired (for all or in part) three of the four performance meetings. One meeting immediately following the Cabinet re-shuffle was chaired by Earl Howe.

34. In accordance with the Code of Practice on Corporate Governance, the table shows the attendance at meetings by each Board member.

35. **Member**	**No of performance meetings attended**	**No of strategy meetings attended**	**Meetings held during term**
Secretary of State for Health [1]	3	2	10
Minister of State for Health [2]	1		7
Minister of State for Care Services [3]	4	2	10

[1] Rt Hon Andrew Lansley CBE MP was Secretary of State for Health until September 2012 and was followed in this post by Rt Hon Jeremy Hunt MP.
[2] Rt Hon Simon Burns MP left the Department in September 2012 and the post was discontinued.
[3] Paul Burstow MP was Minister of State for Care Services until September 2012 and was followed in this post by Norman Lamb MP.

35. **Member**	**No of performance meetings attended**	**No of strategy meetings attended**	**Meetings held during term**
Parliamentary Under Secretary of State for Public Health [4]	3		10
Parliamentary Under Secretary of State for Health [5]	1	1	6
Parliamentary Under Secretary of State for Quality (Lords)	3	4	10
Una O'Brien CB, Permanent Secretary	4	6	10
Sir David Nicholson KCB CBE, NHS Chief Executive [6]	3	1	10
Dame Sally Davies DBE, Chief Medical Officer	3	4	10
Richard Douglas CB, Director General for Finance, Policy & NHS	3	5	10
David Behan CB, Director General for Social Care, Local Government & Care Partnerships [7]	1	2	3
Shaun Gallagher, Acting Director General for Social Care, Local Government & Care Partnerships	2	3	6
Jon Rouse, Director General for Social Care, Local Government & Care Partnerships	1		1
Peter Sands, Lead Non-Executive Board Member	4	5	10

[4] Anne Milton MP was Parliamentary Under Secretary of State for Public Health until September 2012 and was followed in this post by Anna Soubry MP
[5] Dr Daniel Poulter MP joined the Department in September 2012 as Parliamentary Under Secretary of State for Health.
[6] Sir David Nicholson was represented by David Flory, Deputy NHS Chief Executive, at one performance meeting.
[7] David Behan left the Department in June 2012. Shaun Gallagher was acting Director General for Social Care, Care Partnerships & Local Government until March 2013, when Jon Rouse took up his appointment to this post.

35. **Member**	**No of performance meetings attended**	**No of strategy meetings attended**	**Meetings held during term**
Mike Wheeler, Non-Executive Board Member	4	6	10
Catherine Bell, Non-Executive Board Member	4	6	10
Chris Pilling, Non-Executive Board Member	4	6	10
Prof David Heymann, Non-Executive Board Member	4	5	10

36. Elsewhere in this Annual Report, the lead Non-Executive Director of the Departmental Board, Peter Sands, details the areas to which the Board devoted particular attention; these included:

- Ensuring the development of effective relationships between the Department and the key ALBs in the transformed health system, and ensuring common purpose and understanding across the system as a whole;
- Overseeing the transition programme and its associated risks; including spending time with a Clinical Commissioning Group to see the impact of the changes from a front-line perspective;
- Overseeing the Department's Capability Review and action plan to have more visible leadership across the health and care system, including Arm's Length Bodies;
- Reinforcing financial management and performance management, particularly developing a new and clearer format for the monthly performance report and how this information can reinforce the Department's approach to risk management; and
- Developing the Department's response to the report of the Mid Staffordshire Public Inquiry.

37. As reported last year, Board members had on occasion found it difficult to engage fully with the performance and management information presented to the Board due to the amount and format of information supplied. As a result, the non-executive Board members worked with the Department to develop a simpler and clearer format to this information. This has resulted in a comprehensive performance scorecard with summary information, but backed up with full detail, enabling the Board members to drill down in greater depth where required. In addition, leading indicators have been improved. Non-executive directors continue to encourage and challenge the Department to refine the quality and clarity of performance metrics.

Risk management

38. Within the Department, I operate an accountability process based around compliance with five core assurance standards, including one covering risk management. The risk management standard, communicated to Director-Generals (DGs) in their budget accountability letters for the financial year 2012-13, set out each DG's accountabilities for identifying, assessing, communicating, escalating and managing risk in their directorates. DGs are required to set out in directorate risk registers the key risks

to successful delivery of their business plans. Senior Responsible Owners (SROs) are accountable for the effective management and escalation of risks within their programmes.

39. The most significant risks are escalated by DGs and SROs to the strategic risk register, which is used by the Departmental Board to maintain an overview of high-level strategic risks. Each risk on the strategic register has a Board level owner. During 2012-13, the Board has challenged risk ratings, suggested new risks and commissioned additional mitigation activity where appropriate.

40. In addition, during the 2012-13 reporting period, a new Departmental Senior Risk Manager position was created and resourced. As a consequence, work is now underway on a set of initiatives to improve risk management across both the Department and the wider system.

41. These initiatives include the:

- separation of Departmental strategic and major operational risks;
- identification and communication of risk appetites against delivery risks across directorates and ALBs; and
- strengthening of risk management processes, practices and tools across the Department and the wider system.

42. The focus is also to strengthen relationships between DH and other Government Departments, with the aim of learning from best practice and meeting Treasury and NAO intentions for future risk management requirements. In addition, DH will continue to work with the Cabinet Office on the National Risk Register (NRR) for Civil Emergencies. The risk of pandemic influenza is currently assessed as the top risk on the NRR and during the year, the Chief Medical Officer highlighted the risk of anti-microbial resistance as a new risk for consideration when the NRR is revised.

43. Action to improve the assessment and management of risk remains a work in progress and changes will be followed through in 2013-14 as part of the roll-out of a strengthened assurance framework.

44. The Audit and Risk Committee (ARC) was involved throughout 2012-13 in the way the Department managed risk. A regular feature of its meetings was challenge of the Department's strategic risk register. The ARC also supported the Board in ensuring there was an effective system in place for internal control, governance and risk management.

45. Risk management is a key component of the governance framework across the Department's ALBs and NHS organisations. The systems in place are covered at paragraphs 78 and 18 to 19 of this Statement.

The transition to the new health and care system – planning and implementation

46. The Health and Care Transition Programme was established in September 2010 and ran until its closure on 31 March 2013. It provided a governance framework to co-ordinate 22 separate change programmes, covering the transition of the public health system and creation of new Public Health England; transfer of new responsibilities to Local Government and Health and Wellbeing Boards; creation of NHS England (formerly the NHS Commissioning Board) and other new NHS bodies; the transition and closure of SHAs and PCTs; and the cross-cutting functional work of people, finance, estates and IT.

47. Each programme was led by a Senior Responsible Owner and was managed through existing management structures, reporting to one of two transition governance boards chaired by myself, or by Sir David Nicholson, NHS Chief Executive:

- The **NHS Transitional Executive Forum** (NHS TEF), chaired by Sir David Nicholson, governed the NHS transition and development of the NHS future system.

- The **DH, Public Health and Local Government board,** which I chaired, oversaw the design and delivery of the DH, public health and local government transition.

- The **DH Executive Board**, chaired by myself, and of which Sir David was a member, oversaw transition across the full scope of NHS, the Department, ALBs and local government. The NHS Transitional Executive Forum and the DH, Public Health and Local Government Board reported into the DH Executive Board.

48. The overall programme was co-ordinated, assured and supported by DH's transition programme Senior Responsible Owner and an Integrated Programme Office (IPO). The IPO provided processes to promote consistency, transparency and integration and ensured that key decisions, progress and risks were explicitly reviewed and managed through the governance boards, with Ministerial decisions as appropriate. This ensured that cross system risks and issues were surfaced, escalated and managed appropriately within a risk management framework.

49. The IPO also co-ordinated cross-system work on the close down and handover of SHA and PCT functions to new bodies and managed a co-ordinated approach for over 400 Transfer Schemes to ensure the transfer of staff, property and liabilities to appropriate ownership within the new health and care organisations.

50. Although the work of the transition programme in creating the new system has now come to an end, organisations in the new system continue to be in a period of transition and settling down. In its new system leadership role, the Department is continuing to support its ALBs maintaining oversight and assurance of the performance of the system as a whole, providing constructive support where it is needed, acting to resolve teething problems and address system-wide issues while new ALBs develop into mature organisations.

51. As one of the largest change programmes taking place across Government, the Programme also came within the remit of the Cabinet Office's Major Projects Authority, the Government's own assurance body for major projects. The programme underwent regular review by the MPA and Major Projects Review Group between 2011 and the financial year 2012-13. These reviews provided me and the cabinet office with assurance of the programme's ability to deliver its objectives on time and within its budget. This external scrutiny provided constructive challenge and additional expertise in complex change programmes, enabling DH to benefit from wider experience from across government. Each MPA review made a number of recommendations to the Department on areas of concern and potential risk. The Department accepted all of their recommendations and put in place action plans to address these.

52. In October 2012, as the new bodies began to function and put their own governance arrangements into place with non-executive chairs and board members, the governance of the transition programme changed to reflect the new bodies' powers and accountabilities in making their own decisions. This provided for a period of shadow operation of the new system, with new bodies beginning to assure their own systems and processes as new relationships were developed with the Department. Correspondingly, the Department's focus shifted to direction-setting, assurance and leadership of the system as whole.

53. In autumn 2012, a series of state-of-readiness reviews of ALBs taking on new functions in the new health and care system took place. These assessed organisational readiness across a number of critical areas (including finance, HR, estates and IT, governance arrangements, etc.) and provided assurance that the ALBs would be ready to function effectively from 1 April 2013. In total, 10 reviews were completed: Monitor; NHS England (formerly the NHS Commissioning Board); Public Health England; Health Education England; the NHS Trust Development Authority; the Health and Social Care Information Centre; NHS Property Services; Healthwatch England; and the Business Services Authority. The results were formally passed to the DH sponsors and ALBs to take forward the actions and recommendations.

54. These reviews informed "Board-to-Board" meetings between the Department and the respective ALBs in early 2013 to allow detailed discussion on the most pressing areas and the agreement of priorities for joint working to resolve issues more rapidly, for example around financial readiness or people transition. Most of these actions were completed by 31 March 2013, with ALBs confident that they would be able to operate effectively from 1 April 2013. Those that still required work were then passed to the appropriate DH sponsor team to monitor as part of the formal accountability arrangements.

55. A review of the Department's own readiness was completed in January 2013.

56. On 1 April 2013 the new health and care system became fully operational. NHS England (formerly the NHS Commissioning Board), Public Health England, the NHS Trust Development Authority and Health Education England took on their full range of responsibilities. The local health landscape changed substantially, with CCGs beginning to lead commissioning in their local areas, local councils formally taking on their new roles in promoting public health, health and wellbeing boards bringing together agencies to work in partnership and Healthwatch providing a powerful voice for patients and local communities. Existing ALBs such as Monitor, CQC, NICE and MHRA either took on additional functions or saw a change in their role, developing new partnerships and new ways of working.

How transition risks were managed and assessed post 1 April 2013

57. Risk and issue management was the responsibility of individual SROs and was carried out at programme level. Key transition risks, and those escalated for decision, were held at Transition Progamme level and were regularly discussed and mitigated at senior transition board level. A programme wide risk register was coordinated by the IPO.

58. The transition programme closed at 1 April 2013 and open risks were then transferred to relevant organisations or closed as appropriate. The Department instigated daily situation reporting across the 6 main new organisations (and Local Education and Training Boards and CCGs) to ensure that risks and issues associated with launch of the new system were identified, managed and had an escalation route directly into the Department for the period until 8 May.

59. From April 2013, the Department's role changed into one where it leads the new health and care system, providing sponsorship of the new and existing Arms' Length Bodies (ALBs) and the framework for the Secretary of State's ultimate accountability for the provision of health and care services to patients and communities in England. In the new system, the bilateral relationships between the Department and its ALBs are underpinned by framework agreements that set out roles and responsibilities, lines of accountability and governance arrangements, and describe how the Department assures itself that an ALB's role is being fulfilled efficiently, effectively and in line with the Department's financial procedures.

60. They also describe those areas where the ALB must comply with specific guidance or other rules set by the Department or other parts of central government. ALBs are operating in line with the principles set out in framework agreements. They have been working closely with the Department to develop the content and determine how organisations will work together in the new system. In addition, the Department has put in place arrangements to hold the ALBs to account through quarterly accountability meetings. For NHS England, given its scale and complexity, accountability meetings will be held more frequently. The Department is working closely with its ALBs and with HM Treasury to bring the documents to final agreement.

Information Risk

61. DH continues its work to raise the level of its compliance with the Cabinet Office Information Assurance Maturity Model. Reporting to the Cabinet Office in June 2012 confirmed compliance with Level 2 requirements in full and noted the risk that the impact of transition in DH and the Health and Social Care system could inhibit further improvement in the near term. Further action was taken during the year to prepare for the post April changes, including mapping information governance responsibilities and accountability across the new system.

62. Within the core Department, there were three recorded instances of personal data loss or mis-management during 2012-13. Two were investigated internally and viewed as low risk, and one was reported to the Information Commissioner. In this instance, a number of patient experience surveys were misplaced in transit. The risk was reviewed and the incident reported promptly. Appropriate corrective action was undertaken in all instances, with working processes being reviewed and updated where necessary.

63. Information security and data loss issues in the Department's ALBs, and in NHS bodies and NHS Foundation Trusts, are disclosed in the governance statements in their accounts.

Anti-fraud work in DH and in the NHS

64. In both DH and NHS contexts, the term "fraud" covers the economic crime issues of bribery, corruption, fraud and unlawful activity.

65. In 2012-13 the Department implemented all elements of the Cabinet Office Fraud, Error and Debt programme of anti-fraud action for central government by introducing staff anti-fraud awareness surveys, Civil Service Learning anti-fraud e-modules for staff, a fraud awareness week and participation in the 2012-13 National Fraud Initiative data-matching exercise.

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

Prescription Charge Fraud

67. The Department's annual statements have in the past qualified the prescription charges record of accounts on the grounds of regularity, because of an estimated loss of revenue due to patients fraudulently claiming entitlement to free prescriptions. The Audit and Risk Committee has recently examined the position and will continue to focus on this issue although responsibility for tackling prescription fraud at a local level has become the responsibility of NHS England.

Role of Internal Audit

68. The Department's Internal Audit Service (IAS) plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

- focusing audit activity on the key business risks;
- being available to guide managers and staff through improvements in internal controls;
- auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
- providing advice to management on internal control implications of proposed and emerging changes.

69. The Department's Internal Auditors operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit and Risk Committee. Internal Audit updates the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Committee. The Internal Audit Service submits regular reports on the adequacy and effectiveness of the Department's systems of internal control and the management of key business risks, together with recommendations for improvement. These recommendations have been accepted by management including an agreed timetable for implementation. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation are reported to the Audit and Risk Committee. The Head of Internal Audit has direct access to the Permanent Secretary and they meet periodically to review lessons arising from IA reports.

70. In the new health and care system the DH internal audit service will span across all ALBs.

Internal Audit Opinion

71. Following completion of the planned audit work for 2011-12 for the Department, the Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management, governance and internal control. She concluded that:

> 'I can give reasonable assurance to the Accounting Officer that the Department of Health has had adequate and effective systems of control, governance and risk management in place for the reporting year 2012-13'.

Governance and Control in the Core Department of Health

72. A summary report of the governance and control system in the core Department of Health has been drawn up by my Governance Team. The report covered key issues for each Directorate, and was supported by financial information and material supplied by the Internal Audit Service.

73. On the basis of the summary report, I have reviewed the end of year assurance statements provided to me by all Directors-General, which recorded the position of their responsibilities over the year. These confirmed that the Department has adequate and effective systems of control in place, and that where issues have arisen during the year assurance arrangements have been in place to pick up and address any weaknesses.

Compliance with Equality & Human rights legislation

74. As part of consolidated action to strengthen compliance, the Department entered into a voluntary Framework Agreement with the Equality and Human Rights Commission (EHRC) for the period September 2010 to March 2012. All DGs were committed to action to ensure equality was integral to key planning and reform activities and this was overseen by a Equality and Human Rights Assurance Group comprising all DGs and the Chief Analyst. Following delivery of the EHRC Framework Agreement, we have set new Departmental Equality Objectives, aligned to the DH business plan, and will report progress annually.

75. In 2012, the EHRC formally ended the monitoring arrangements of the 18 month Voluntary Agreement between DH and the EHRC. A new 'Memorandum of Co-operation', based on the principles of partnership working between DH and the regulator, now replaces this arrangement.

Governance and Control in the DH's Arm's Length Bodies

76. Following the Department's review of its Arm's Length Bodies (ALBs) in 2010, there were a number of changes to our ALB landscape in 2012-13. Six ALBs were wound down in 2012-13 and two new bodies were established (Health Education England and the NHS Trust Development Authority). Following the establishment of Public Health England as an Executive Agency on 1 April 2013, the Department now sponsors fifteen ALBs.

77. The Department's sponsorship of its ALBs is an important component of our stewardship of the health and care system and is a key way of gaining assurance of ALB delivery. Each ALB operates through a Framework Agreement with the Department, and in the case of NHS England, a Mandate agreed with the Secretary of State. Through our sponsor teams, the Department engages directly with each ALB proportionate to the level of risk. In addition, formal accountability meetings are held on at least a quarterly basis and focus on delivery of objectives and financial performance. In terms of risks outside the control of individual ALBs, they can be highlighted via formal accountability meetings or through the other formal and informal interactions that the sponsors maintain with ALBs.

78. The Department continues to strengthen its sponsorship function with sponsor teams in place across the Department taking a more systematic and consistent approach to sponsorship and relationship management, building on best practice from across government, to help assure the Department that ALBs are delivering their functions and agreed outcomes, and that risks to the Department and its ALBs are understood, managed effectively and escalated as appropriate.

79. Each ALB compiled a Governance Statement for its Accounts, and these have been reviewed on my behalf. There were no significant control issues in ALBs that warranted escalation for disclosure in this Statement. There are substantial issues to report in relation to the Care Quality Commission, as set out in the following paragraphs.

80. In February 2012 the Department published the report of a Performance and Capability Review it had undertaken into the Care Quality Commission. The review set out recommendations to challenge CQC and support its continuing improvement. The report identified shortcomings in the CQC's strategic direction and made recommendations on the need for a stronger board and for changes to the way in

which regulation was developed and delivered. The review also recognised that the Department had to improve the way it sponsored the CQC. During 2012-13, the Department took action to strengthen accountability arrangements across all of the Department's arm's length bodies. In particular, the system of quarterly meetings with the CQC's Chief Executive to hold the Commission to account for its performance against its business plan was strengthened, with a renewed focus on the CQC's achievement of its targets and discussion of the CQC's strategic direction.

81. The CQC's response to the review focused on improvement in four key areas:

- a review of the CQC's Strategy and production of a clear strategic plan;
- a review of the CQC's regulatory model and methodology;
- supporting and developing the CQC's workforce; and
- strengthening the CQC's board.

82. During 2012/13, both the Chief Executive and the Chair of the CQC stepped down and were replaced by new leadership. The CQC is making progress although there is much work still to do; it has undertaken a root and branch review of its strategy and undertaken a full public consultation. The resulting strategy was published in April 2013 and takes account of the recommendations of the Francis Review. The CQC is also making significant changes to its regulatory model and methodology. In June 2013, the CQC published "A New Start: a consultation on changes to the way CQC regulates, inspects and monitors care". This sets out how it intends to inspect and regulate care services in the future, with a focus on fundamental standards. A detailed methodology will be worked up over the coming year, including a new ratings system, with a bespoke system for each of the sectors it regulates, led by new Chief Inspectors. A Chief Inspector of Hospitals was appointed in May 2013 and inspectors of social care and general practice will be recruited this year. As part of the strategic review, the CQC is planning to move to a system of specialist (rather than generic) inspectors over the coming year, which will incorporate greater use of clinical experts.

83. In June 2013, the CQC published an internal report commissioned from Grant Thornton to look into its own activities in the period 2008 to 2012, in relation to the registration and oversight of University Hospitals Morecambe Bay NHS Foundation Trust. The report showed that there were failures both in regulatory judgment and in corporate governance. The CQC's new strategy and direction address these shortcomings. In addition to new leadership, major changes are being made to the executive team. Improved governance arrangements will assist in demonstrating openness and transparency. The Department and CQC have jointly taken action to strengthen the CQC's Board, including amending legislation to allow for a unitary board. In June 2013, a recruitment exercise successfully appointed five new Non-Executive Directors to the Board.

Governance and Control in the NHS

84. The Boards and Accountable Officers of the individual NHS Bodies covered by the Report and Accounts are responsible for their own systems of internal control and governance.

85. For NHS trusts, PCTs and SHAs I gain assurance through the performance management line through the Director General, Strategy, Finance and NHS. For 2012/13 SHA capacity was retained to review the Governance Statements of all NHS trusts and PCTs prepared by their Accountable Officers together with relevant internal audit reports. Similarly, the Department has reviewed the Governance Statements prepared by the SHAs. These show that an adequate system of internal control was in place and there were no significant control issues that would be material to this set of Accounts and Report.

86. Overall, the NHS operated within the expenditure controls set by HMT and voted by Parliament. SHAs, PCTs and NHS Trusts delivered a combined surplus of £1,641m and Foundation Trusts a surplus of £490m. The aggregate surplus delivered in 2011-12 by SHAs and PCTs of £1,532 million will be carried forward to 2013-14.

87. The Department recognises that some Trusts (both Foundation Trusts and NHS Trusts) have experienced financial difficulties in 2012-13. In 14 cases in 2012-13 additional revenue based public dividend capital was issued. The Department, as overall system steward, works closely with key players such as Monitor and the NHS Trust Development Authority (TDA) to continue to keep the position under regular review.

88. The NHS Trust Development Authority was created in April 2013 to provide leadership, support and development for those providers that remain NHS Trusts. It is accountable nationally for the outcomes achieved by NHS Trusts and for financial stewardship within the NHS Trust system, as well as the management of the Foundation Trust pipeline. The NHS TDA is working closely with 14 NHS Trusts that are not considered sustainable in their current form and are therefore pursuing an organisational transformation.

NHS 111

89. From April 2012, the Department continued to manage the rollout of the NHS 111 service, working to a deadline of full coverage across England by April 2013. The service was commissioned locally by Primary Care Trusts working from a broad national Service Specification based around several core principles. This was part of the NHS Operating Framework 2012-13. In response to concerns from stakeholders about pace of rollout to the April 2013 deadline, the National Director for Improvement and Efficiency wrote to the NHS in June 2012 offering an extension to the deadline of six months for those areas that needed it.

90. On 1 November 2012, responsibility for the final stages of rollout of NHS 111 transferred to NHS England (formerly the NHS Commissioning Board), within the Operations Directorate. As of 2 April 2013, around 90% of England was covered by NHS 111, although contingency arrangements, using NHS Direct and local out of hours services, were in place in some areas to manage demand. Performance has been monitored closely since roll out and recent data shows NHS 111 performance is continuing to improve in line with expectations. In order to ensure that patients continue to get the best care and treatment, some areas have been given more time go live with NHS 111.

South London

91. In January 2013, the Secretary of State accepted (with some modification) the recommendations of the Trust Special Administrator appointed to South London Healthcare NHS Trust (SLHT) about its future. The recommendations relate to the configuration of services and organisations in south east London to ensure that they are clinically and financially viable for the local population. The recommendations include disolving SLHT and merging its three main hospitals with other local NHS providers. Aspects of the Secretary of State's decision are, however, currently subject to judicial review proceedings.

Governance and Control in NHS Foundation Trusts

92. A different system operated in 2012-13 for Foundation Trusts under primary legislation. Monitor is responsible for authorising, monitoring and regulating NHS Foundation Trusts (FTs). Monitor have prepared an overall consolidated accounts of FTs. The NHS Foundation Trust Consolidated Accounts 2012-13 were laid before Parliament by Monitor on 3 July 2013, and contain an Annual Governance Statement for the FT sector.

93. Neither the Department of Health nor Monitor is accountable for the internal control and systems of FTs; this is the responsibility of each FT's board. The Governance Statement in the FT Consolidated Accounts summarises the internal control issues in the FT sector, and provides details of internal control weaknesses disclosed by FTs in their individual governance statements, together with the actions being taken to address them. There were no significant control issues that would be material to this set of Accounts and Report.

94. There are no significant internal control issues set out in Monitor's Annual Governance Statement for the FT sector. I am therefore satisfied that I have fulfilled my duty as Accounting Officer to ensure that all expenditure by DH and NHS bodies (including FTs) is contained within the Department's expenditure limits.

Mid-Staffordshire Foundation NHS Trust

95. On 9 June 2010, the Secretary of State announced a full Public Inquiry into the role of the commissioning, supervisory and regulatory bodies in the monitoring of Mid Staffordshire Foundation NHS Trust from 2005 to 2009. The Inquiry, led by Robert Francis QC, builds on the work of his previous

Independent Inquiry, which considered individual cases of patient care and reported in February 2010 with 290 recommendations.

96. The Government's response, *Patients First and Foremost* was published in March 2013. It is a collective response, with a shared statement of common purpose from DH, the ALBs responsible for leading the NHS and other national bodies, including regulators of clinical professionals. Most of the recommendations in Robert Francis' report are accepted by the Government, either in principle or in their entirety. There are a number of limited but significant changes that require primary legislation. These are changes primarily to the way health and social care information is used to assess poor performance and how poor performance is tackled. There are also a number of other measures that focus on greater cohesion and cultural change across the health and care system and can be implemented without the need for primary legislation. The aim is systematically to improve care, so that it is safer and more compassionate, rooting out unacceptable care, tackling failure promptly and effectively, and ensuring all hospitals drive for continuous improvement.

97. The Government will produce a further response in the autumn of 2013, providing an update on actions in the initial response and setting out further actions resulting from the range of reviews currently underway, for example on complaints, safety, bureaucratic burdens and training and support for healthcare assistants.

Conclusion

98. The ARC have advised me that there is no reason of which it was aware that I should not sign this Statement.

Una O'Brien
Permanent Secretary and Principal Accounting Officer
11 July 2013

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Audit certificate

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department of Health and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists only of the core Department and its Agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource

and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's total net expenditure and Departmental Group's total net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter – Provision for Clinical Negligence Scheme for Trusts

- Without qualifying my opinion, I draw attention to the disclosures made in note 20 to the financial statements concerning the uncertainties inherent in the Incidents Incurred But Not Reported claims provision for the Clinical Negligence Scheme for Trusts. As set out in note 20, given the long-term nature of the liabilities and the number and nature of the assumptions on which the estimate of the provision is based, a considerable degree of uncertainty remains over the value of the liability recorded by the NHS Litigation Authority. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the NHS Litigation Authority.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Review of the year, Departmental Performance, Governance of the Department and Sustainable Development Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date **12 July 2013**

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

Statement of Parliamentary Supply

for the year ended 31 March 2013

Summary of Resource and Capital Outturn 2012-13

		Estimate			Outturn			2012-13 Voted outturn compared with Estimate: saving/ (excess)	Restated 2011-12 Outturn
	Note	Voted £'000	Non-Voted £'000	Total £'000	Voted £'000	Non-Voted £'000	Total £'000	£'000	Total £'000
Departmental Expenditure Limit									
- Resource	3.1	87,394,720	18,080,178	105,474,898	85,863,608	18,084,621	103,948,229	1,531,112	101,591,757
- Capital		4,495,434	-	4,495,434	3,782,882	-	3,782,882	712,552	3,771,269
Annually Managed Expenditure									
- Resource	3.1	5,868,302	-	5,868,302	5,775,114	-	5,775,114	93,188	3,193,101
- Capital		-	-	-	-	-	-	-	-
Total Budget		97,758,456	18,080,178	115,838,634	95,421,604	18,084,621	113,506,225	2,336,852	108,556,127
Non-Budget									
- Resource	3.1	-	-	-	-	-	-	-	-
Total		**97,758,456**	**18,080,178**	**115,838,634**	**95,421,604**	**18,084,621**	**113,506,225**	**2,336,852**	**108,556,127**
Total Resource		93,263,022	18,080,178	111,343,200	91,638,722	18,084,621	109,723,343	1,624,300	104,784,858
Total Capital		4,495,434	-	4,495,434	3,782,882	-	3,782,882	712,552	3,771,269
Total		**97,758,456**	**18,080,178**	**115,838,634**	**95,421,604**	**18,084,621**	**113,506,225**	**2,336,852**	**108,556,127**

Net cash requirement 2012-13

		2012-13 Estimate £'000	Outturn £'000	2012-13 Outturn compared with Estimate: saving/ (excess) £'000	2011-12 Outturn £'000
Net cash requirement	4	89,521,476	87,268,029	2,253,447	86,263,864

Administration Costs 2012-13

	2012-13 Estimate £'000	2012-13 Outturn £'000	2011-12 Outturn £'000
Administration Costs	4,170,662	3,670,049	3,540,725

Footnotes

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

The notes on pages 88 -179 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

	Notes	2012-13 Core Department £'000	2012-13 Departmental Group £'000	Restated 2011-12 Core Department £'000	Restated 2011-12 Departmental Group £'000
Administration Costs					
Staff costs	7	251,079	1,983,107	264,855	1,887,700
Other administration costs	8	192,619	1,739,250	195,642	1,872,126
Operating income	10.1	(25,210)	(222,776)	(12,513)	(276,495)
Grant in Aid to NDPBs	8	227,053	-	143,689	-
Funding to Group Bodies	8	2,801,544	-	2,828,338	-
Programme Costs					
Staff Costs	7	1,290	44,929,955	1,492	44,402,129
Programme Costs	9	5,679,118	68,329,344	5,669,901	63,661,762
Income	10.2	(1,106,623)	(6,406,439)	(1,113,936)	(5,957,364)
Grant in Aid to NDPBs	9	103,776	-	98,460	-
Funding to Group Bodies	9	96,984,770	-	94,820,215	-
Resources expended by NHS charities	31.1	-	203,815	-	202,682
Income received by NHS charities	31.1	-	(304,595)	-	(288,975)
Net Operating Costs for the year ended 31 March 2013		**105,109,416**	**110,251,661**	**102,896,143**	**105,503,566**
Total expenditure		106,241,249	117,185,471	104,022,592	112,026,399
Total income		(1,131,833)	(6,933,810)	(1,126,449)	(6,522,834)
Net Operating Costs for the year ended 31 March 2013		**105,109,416**	**110,251,661**	**102,896,143**	**105,503,566**
Net (gain)/loss on transfers by absorption		13,349	9	-	-
Total Net Expenditure for the year ended 31 March 2013		**105,122,765**	**110,251,670**	**102,896,143**	**105,503,566**
Other Comprehensive Net Expenditure					
Net (gain)/loss on:					
- revaluation of property, plant and equipment		(4,258)	(605,729)	(6,615)	(851,133)
- revaluation of assets held for sale		(362)	(1,331)	-	(1,698)
- revaluation of intangibles		20,853	18,435	(533,888)	(533,733)
- revaluation of investments		101	75	15,901	15,539
-revaluation of charitable assets		-	(47,569)	-	(15,890)
- impairments and reversals transferred to revaluation reserve		25	786,484	42	607,115
- disposal of available for sale financial assets		-	-	-	280
- other reserves		-	613	-	1,097
- actuarial gains/(losses) on defined benefit pension schemes		-	(1,743)	-	66,734
- other gains and (losses)		-	1,780	-	(3,512)
Release of reserves to the CSCNE		-	2,281	-	1,224
Total Other Comprehensive Net Expenditure		**16,359**	**153,296**	**(524,560)**	**(713,976)**
Total Comprehensive Expenditure for the year ended 31 March 2013		**105,139,124**	**110,404,966**	**102,371,583**	**104,789,589**

Footnotes

1) Consolidated Statement of Comprehensive Net Expenditure (CSCNE) information should be disclosed in separate columns which relate to the Core Department, the Core Department and its Executive Agencies, and the Departmental Group as a whole. As the Department of Health has no Executive Agencies, all information presented in relation to the Core Department and its Agencies would be identical to information presented for the Core Department only. Consequently, the CSCNE includes two columns only, one relating to the Core Department, and the other relating to the Departmental Group.
2) As detailed in Note 1.1, from 2012-13 the Departmental Group financial statements consolidate the accounts of certain charitable organisations and funds held on trust. The Department has accounted for these transfers using merger accounting as required by the FReM and as such prior year figures have been restated to reflect this change in accounting policy.
3) The Core Department net loss on transfers by absorption of £13.349 million has resulted from; a) The transfer of a £0.747 million net liability from the Appointments Commission; b) The transfer of a £13.933 million net liability from the General Social Care Council; and c) The transfer of a £1.331 million net asset from the National Patient Safety Agency. All three organisations were abolished during the 2012-13 financial year.
4) In all material respects, the income and expenditure disclosed in the Consolidated Statement of Comprehensive Net Expenditure relates to activities that are continuing.

The notes on pages 88 -179 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

	Note	2013 £'000 Core Department	2013 £'000 Departmental Group	Restated 2012 £'000 Core Department	Restated 2012 £'000 Departmental Group	Unaudited[4] Restated (including TCS[2] and other Opening Balance Adjustments) 1 April 2011 £'000 Core Department	Unaudited[4] Restated (including TCS[2] and other Opening Balance Adjustments) 1 April 2011 £'000 Departmental Group
Non-current assets							
Property plant and equipment	11	1,168,349	47,522,789	1,197,004	48,266,225	1,297,571	47,366,059
Investment Property	11.1	260	67,599	263	66,549	338	64,807
Intangible assets	12	1,314,345	1,796,585	1,589,475	2,024,457	1,495,695	1,904,462
Charitable non-current assets	31.2	-	158,974	-	153,861	-	140,512
Financial assets- Investments	13	25,981,057	1,118,926	25,924,137	1,304,438	25,323,617	1,050,923
Charitable investments	31.3	-	1,611,121	-	1,588,175	-	1,732,202
Other non-current assets	16	125,395	548,471	122,726	613,145	129,975	643,729
Total non-current assets		**28,589,406**	**52,824,465**	**28,833,605**	**54,016,850**	**28,247,196**	**52,902,694**
Current assets							
Assets classified as held for sale	18	198,759	425,721	8,656	246,000	6,084	215,662
Inventories	14	125,904	968,911	107,960	931,886	89,428	903,342
Trade and other receivables	16	147,414	1,319,830	118,141	786,158	100,689	1,007,057
Other current assets	16	234,263	1,050,793	233,175	1,567,211	184,458	1,233,176
Charitable other current assets	31.2	-	161,267	-	170,309	-	179,776
Other financial assets	16	206,463	56,631	231,953	64,749	189,138	47,561
Cash and cash equivalents	17	1,206,560	7,421,705	520,148	5,805,198	1,624,356	5,891,667
Charitable cash	31.2	-	303,054	-	256,839	-	203,074
Total current assets		**2,119,363**	**11,707,912**	**1,220,033**	**9,828,350**	**2,194,153**	**9,681,315**
Total assets		**30,708,769**	**64,532,377**	**30,053,638**	**63,845,200**	**30,441,349**	**62,584,009**
Current liabilities							
Trade and other payables	19	(143,946)	(5,857,689)	(146,521)	(4,978,137)	(196,597)	(5,184,061)
Other liabilities	19	(2,326,519)	(8,012,700)	(1,578,597)	(7,759,509)	(2,709,129)	(8,143,934)
Charitable liabilities	31.2	-	(166,731)	-	(173,205)	-	(264,192)
Provisions	20	(279,274)	(2,709,816)	(236,316)	(3,289,631)	(270,996)	(3,066,331)
Total current liabilities		**(2,749,739)**	**(16,746,936)**	**(1,961,434)**	**(16,200,482)**	**(3,176,722)**	**(16,658,518)**
Non-current assets plus/less net current assets/liabilities		**27,959,030**	**47,785,441**	**28,092,204**	**47,644,718**	**27,264,627**	**45,925,491**
Non-current liabilities							
Other payables	19	(310,610)	(636,189)	(283,472)	(611,855)	(352,719)	(677,335)
Charitable liabilities	31.2	-	(74,531)	-	(80,605)	-	(45,192)
Provisions	20	(1,431,087)	(24,145,258)	(1,419,220)	(18,899,535)	(1,216,010)	(16,704,698)
Net pension asset/(liability)	30.1	-	(70,099)	-	(87,584)	-	(21,668)
Financial liabilities	19	(44,989)	(11,703,573)	(55,816)	(11,815,236)	(72,965)	(10,492,578)
Total non-current liabilities		**(1,786,686)**	**(36,629,650)**	**(1,758,508)**	**(31,494,815)**	**(1,641,694)**	**(27,941,471)**
Assets less liabilities		**26,172,344**	**11,155,791**	**26,333,696**	**16,149,903**	**25,622,933**	**17,984,020**
Taxpayers' equity and other reserves							
General fund		25,265,749	(531,734)	25,381,019	3,846,803	25,158,922	6,073,216
Revaluation reserve		906,595	9,512,622	952,677	10,223,592	464,011	9,796,520
Other Reserves		-	181,746	-	164,134	-	168,104
Total Taxpayers' Equity		**26,172,344**	**9,162,634**	**26,333,696**	**14,234,529**	**25,622,933**	**16,037,840**
Charitable funds		-	1,993,157	-	1,915,374	-	1,946,180
Total Reserves		**26,172,344**	**11,155,791**	**26,333,696**	**16,149,903**	**25,622,933**	**17,984,020**

Footnotes

1) As detailed in Note 1.1, from 2012-13 the Departmental Group financial statements consolidate the accounts of certain charitable organisations and funds held on trust. The Department has accounted for these transfers using merger accounting as required by

the FReM and as such prior year figures have been restated to reflect this change in accounting policy and three Consolidated Statements of Financial Position have been presented.

2) The Consolidated Statement of Financial Position for 2011 includes the impact of the transfer of provider functions from Primary Care Trusts (PCTs) to NHS Trusts, NHS Foundation Trusts or Social Enterprises under the "Transforming Community Services" initiative. The Department followed an HM Treasury agreed FReM divergence from merger accounting requirements and effected these transfers by an adjustment to 1 April opening balances rather than by full restatement of 2010-11 comparators. The impact is minimal, as the majority of transfers occurred between bodies within the accounting boundary which means that the result is eliminated on consolidation. As detailed in Note 1.37, following a FReM amendment, from 2012-13 transfers between bodies within the Departmental Group, including TCS transfers, are accounted for via absorption accounting.

3) Other opening balance adjustments relate to prior period adjustments made to financial statements at local level. Further information is available within local financial statements.

4) Due to the application of the impracticability exemption allowed under IAS 8 *Accounting Policies, changes in estimates and errors*, the 2010-11 comparative figures presented in the Department's 2011-12 Resource Accounts were unaudited. Further details can be found in the 2011-12 accounts. Where 2010-11 comparators are presented in this account they remain unaudited.

Una O'Brien
Permanent Secretary and Principal Accounting Officer
11 July 2013

The notes on pages 88 -179 form part of these accounts.

Consolidated Statement of Cash Flows

	Note	2012-13 £'000	Restated 2011-12 £'000
Net cashflow from operating activities			
Net Operating Cost	CSCNE	(110,251,659)	(105,503,566)
Adjustments for non-cash transactions	8	11,775,804	9,215,302
Adjustments for charities		33,305	56,374
Other non-cash movements in Statement of Financial Position items		-	-
(Increase)/decrease in trade and other receivables	16	55,538	(90,312)
less movements in receivables relating to items not passing through the CSCNE	16	76,311	34,901
(Increase)/decrease in inventories	14	(37,024)	(26,125)
less transfers to inventories from non-current assets	14	761	21,244
Increase/(decrease) in trade and other payables	19	1,045,414	582,225
less movements in payables relating to items not passing through the CSCNE	19	(734,772)	(126,044)
Use of provisions	20	(2,029,018)	(1,833,784)
Transfer of provisions to payables	20	(591,286)	(520,344)
Cash payments in respect of pensions	30	(6,770)	(6,888)
Other operating cashflows		-	-
Net cash outflow from operating activities		**(100,663,396)**	**(98,197,017)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11,19	(3,395,498)	(3,008,549)
Purchase of intangible assets	12,19	(485,834)	(483,225)
Proceeds of disposal of property, plant and equipment		134,076	127,700
Proceeds of disposal of intangibles		4,715	2,779
Proceeds of disposal of assets held for sale		164,241	202,769
Purchase of investments	13	(61,997)	(351,578)
Proceeds of disposal of investments	13,16	75,173	40,112
Other investing cashflows		-	-
Net cash outflow from investing activities		**(3,565,124)**	**(3,469,992)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		88,100,000	85,885,270
From the Consolidated Fund (Supply) - non supply		-	-
Financing from the National Insurance Fund		18,084,621	16,863,807
Movement in loans received from DH		-	-
Movement in loans received from other Bodies		5,720	2,615
Cash inflows to newly authorised Foundation Trusts		-	-
Net cash transferred under absorption accounting		(2,701)	-
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
Capital element of payments in respect of finance leases and on-SOFP PFI contracts		(283,939)	(363,663)
Other financing cashflows		(18,013)	(1,388)
Net cash outflow from financing activities		**105,885,688**	**102,386,641**
Net increase/(decrease) in cash and cash equivalents in the period before receipts and payments to the Consolidated Fund		**1,657,167**	**719,633**
Payment of amounts due to the Consolidated Fund		(95)	(735,845)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**1,657,072**	**(16,212)**
Cash and cash equivalents at the beginning of the period		6,041,288	6,057,500
Cash and cash equivalents at the end of the period	19	7,698,360	6,041,288

Footnote

1) The "Other" lines within the Consolidated Statement of Cash Flows include cash flow items recorded by underlying NHS bodies not separately identified within the Resource Account format. This includes an immaterial adjustment to ensure the internal consistency of the Resource Account Consolidated Statement of Cash Flows.
2) The 2011-12 Consolidated Statement of Cash Flows has been restated to include NHS Charities. The Department has taken this opportunity to reclassify certain lines and amounts within the 2012-13 Consolidated Statement of Cash Flows to better reflect the nature of the various cash flows and enhance the transparency and comparability of the statement.

The notes on pages 88 -179 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2013

		Core Department			Departmental Group					
		General Fund	Revaluation Reserve	Taxpayers' Equity	General Fund	Revaluation Reserve	Other Reserves	Taxpayers' Equity	Charitable Funds	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012		25,381,019	952,677	26,333,696	3,846,803	10,223,592	164,134	14,234,529	1,915,374	16,149,903
Prior period adjustments in local accounts		-	-	-	25,777	(16,474)	22,636	31,939	-	31,939
Net parliamentary funding - drawn down		88,100,000		88,100,000	88,100,000		-	88,100,000		88,100,000
Net parliamentary funding - deemed		604,095		604,095	604,095		-	604,095		604,095
Consolidated fund standing services		-		-	-		-	-		-
Net finances from the contingencies fund		-		-	-		-	-		-
National Insurance contributions		18,084,621		18,084,621	18,084,621		-	18,084,621		18,084,621
Supply (payable)/receivable adjustment	19.1	(1,436,066)		(1,436,066)	(1,436,066)		-	(1,436,066)		(1,436,066)
CFERs and other amounts payable to the Consolidated Fund[1]	19.1	7,270		7,270	7,270		-	7,270		7,270
PDC investment adjustment		(383,022)		(383,022)	-		-	-		-
Comprehensive Net Expenditure for the Year		(105,122,765)		(105,122,765)	(110,264,581)		-	(110,264,581)	12,911	(110,251,670)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	8.9	807		807	897		-	897		897
Movements in Reserves										
Release of reserves to the CSCNE Recognised in Statement of Comprehensive Expenditure		-	-	-	-	(2,281)	-	(2,281)	-	(2,281)
Net gain/(loss) on revaluation of property, plant and equipment			4,258	4,258		605,729	-	605,729	-	605,729
Net gain/(loss) on revaluation of Assets held for Sale			362	362		1,331	-	1,331	-	1,331
Net gain/(loss) on revaluation of intangible assets			(20,853)	(20,853)		(18,435)	-	(18,435)	-	(18,435)
Net gain/(loss) on revaluation of investments			(101)	(101)		(75)	-	(75)	-	(75)
Net gain/(loss) on revaluation of charitable assets				-				-	47,569	47,569
Net gain/(loss) on disposal of available for sale financial assets		-	-	-	-	-	-	-		-
Impairments and reversals			(25)	(25)		(786,484)	-	(786,484)	-	(786,484)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	5,817		(4,074)	1,743		1,743
Other gains and losses		-		-	(1,717)	-	(63)	(1,780)		(1,780)
Reserves eliminated on dissolution				-	-	-	-	-		-
Transfer of impairments from revaluation reserve to general fund		-	-	-	-	-	-	-		-
Transfers between revaluation reserve and general fund in respect of assets transferred under absorption		-	-	-	85	(85)	-	-		-
Transfers between reserves		29,724	(29,724)	-	268,161	(267,703)	(264)	194	-	194
Other movements		66	1	67	227,104	(226,493)	(622)	(11)	17,303	17,292
Balance at 31 March 2013		**26,266,749**	**906,695**	**26,172,344**	**(531,734)**	**9,512,622**	**181,746**	**9,162,634**	**1,993,157**	**11,155,791**

Footnote

1) The £7.270 million of "CFERs and other amounts payable to the Consolidated Fund" includes the £0.010 million of in-year CFER income disclosed in Note 5.1 less a £7.280 million CFER write-off. The write-off was an integral part of the Interim Agreement with Computer Sciences Corporation (CSC) which was signed in September 2012 and enacts legally binding changes to the underlying contract for the Lorenzo product. Under the previous contract, the majority of trusts in the North, Midlands and East were obliged to take the Lorenzo product. The new agreement supersedes that obligation and removes CSC's exclusive rights as the only provider of electronic patient record systems in those areas. Local NHS organisations now have the power to make their own decisions about which IT systems they use. This has enabled the Department to reduce its contractual commitment to CSC.

2) The General Fund is used in public sector accounting to reflect the total assets less liabilities of an entity, which are not assigned to another special purpose fund.

3) The Revaluation Reserve is a capital reserve used when an asset has been revalued but for which no cash benefit is received. Revaluations are completed periodically to reflect the fair market value of an asset owned by an organisation.

4) Other Reserves are used in NHS bodies to account for a difference between the value of non-current assets taken over by them at establishment and the corresponding figure in the opening capital debt. This could arise where opening capital debt is set on estimated values, or where there has been an error. Additionally, they may arise to reflect pension assets/liabilities in respect of staff in non-NHS defined benefit pension schemes.

5) Charitable Funds are the reserves associated with NHS Charities consolidated into the Department's Resource Account. They include both restricted and unrestricted funds.

6) The transfer between reserves disclosed in the other movements line of the consolidated Statement of Changes in Taxpayers' Equity reflects the reserves reconfiguration resulting from the in-year dissolution of 7 NHS Trusts and the establishment of Barts Health NHS Trust.

7) The 'Comprehensive net expenditure for the year' figures for the General Fund and Charitable Fund exclude the elimination of intercompany trading between NHS Charities and NHS Trusts/Foundation Trusts. This ensures the closing Charitable Fund balance reflects the actual reserves held by the NHS Charities sector. There is no overall impact on the total closing reserve balance of the Departmental Group.

Prior year: for the year ended 31 March 2012

		Core Department			Departmental Group					
		General Fund	Revaluation Reserve	Taxpayers' Equity	General Fund	Revaluation Reserve	Other Reserves	Taxpayers' Equity	Charitable Funds	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011		25,158,923	464,011	25,622,934	6,007,856	9,800,349	162,376	15,970,581	-	15,970,581
Changes in accounting policy		-	-	-	-	-	-	-	1,946,180	1,946,180
Restated balance at 1 April 2011		25,158,923	464,011	25,622,934	6,007,856	9,800,349	162,376	15,970,581	1,946,180	17,916,762
Opening balance adjustment		-	-	-	75,660	(3,693)	5,211	77,178	-	77,178
Adjustment for transfer of functions		-	-	-	(10,300)	(136)	517	(9,919)	-	(9,919)
Adjusted balance at 1 April 2011		25,158,923	464,011	25,622,934	6,073,216	9,796,520	168,104	16,037,840	1,946,180	17,984,021
Net parliamentary funding - drawn down		85,885,270		85,885,270	85,885,270		-	85,885,270		85,885,270
Net parliamentary funding - deemed		982,689		982,689	982,689		-	982,689		982,689
Consolidated fund standing services		-		-	-		-	-		-
Net finances from the contingencies fund		-		-	-		-	-		-
National Insurance contributions		16,863,807		16,863,807	16,863,807		-	16,863,807		16,863,807
Supply (payable)/receivable adjustment	19.1	(604,095)		(604,095)	(604,095)		-	(604,095)		(604,095)
CFERs and other amounts payable to the Consolidated Fund	19.1	(4,029)		(4,029)	(4,029)		-	(4,029)		(4,029)
PDC investment adjustment		-		-	-		-	-		-
Comprehensive Net Expenditure for the Year		(102,896,143)		(102,896,143)	(105,500,956)		-	(105,500,956)	(2,609)	(105,503,566)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	8.9	848		848	933		-	933		933
Movements in Reserves										
Release of reserves to the CSCNE		-	-	-	-	(1,224)	-	(1,224)	-	(1,224)
Recognised in Statement of Comprehensive Expenditure										
Net gain/(loss) on revaluation of property, plant and equipment			6,615	6,615		851,133	-	851,133	-	851,133
Net gain/(loss) on revaluation of Assets held for Sale			-	-		1,698	-	1,698	-	1,698
Net gain/(loss) on revaluation of intangible assets			533,888	533,888		533,733	-	533,733	-	533,733
Net gain/(loss) on revaluation of investments			(15,901)	(15,901)		(15,539)	-	(15,539)	-	(15,539)
Net gain/(loss) on revaluation of charitable assets				-				-	15,890	15,890
Net gain/(loss) on disposal of available for sale financial assets		-	-	-	(197)	(83)	-	(280)		(280)
Impairments and reversals			(42)	(42)		(607,115)	-	(607,115)	-	(607,115)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	(61,151)		(5,583)	(66,734)		(66,734)
Other gains and losses		-		-	52,001	(50,519)	2,030	3,512		3,512
Reserves eliminated on dissolution				-	8,852	(8,395)	-	457		457
Transfer of impairments from revaluation reserve to general fund				-				-		-
Transfers between reserves		35,894	(35,894)	-	272,617	(276,210)	(105)	(3,698)	-	(3,698)
Other movements		(42,146)	-	(42,146)	(122,154)	(407)	(313)	(122,874)	(44,087)	(166,961)
Balance at 31 March 2012		**26,381,019**	**952,677**	**26,333,696**	**3,846,803**	**10,223,692**	**164,134**	**14,234,629**	**1,915,374**	**16,149,903**

NOTES TO THE DEPARTMENT'S ANNUAL REPORT AND ACCOUNTS

1 Statement of accounting policies

The Department of Health is required to prepare financial statements which present a true and fair view of the state of affairs of the Departmental group and of the results for the year. These financial statements are prepared on a going concern basis and in accordance with an accounts direction made by HM Treasury. This direction, in common with all government departments, requires the financial statements to comply with the accounting requirements of the Government Financial Reporting Manual (FReM) in force for the relevant year. The functional and presentational currency is pounds sterling and figures are expressed in thousands of pounds unless expressly stated otherwise. Two sets of figures are presented – the first relating to the Department of Health itself (core department) and a second set of consolidated figures for all entities designated for consolidation by HM Treasury.

The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to Government bodies. Whether the standards are meaningful and appropriate is determined by HM Treasury acting on the advice of the Financial Reporting Advisory Board (FRAB). Where the FReM permits a choice of accounting policy, the department selects the policy that is the most appropriate to give a true and fair view. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to Primary Statements required by IFRS and the Companies Act (a Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows), the FReM requires the Department to prepare a **Statement of Parliamentary Supply**: this statement and its supporting notes show outturn against the Estimate of expenditure approved by Parliament for the net resource requirement and net cash requirement. This Estimate sets the formal limit on the expenditure which the Department can incur.

The 2012-13 Annual Report and Accounts includes two departures from the FReM which have been agreed with HM Treasury:

- Public Dividend Capital issued by the Department on the creation of new NHS Trusts, or written-off on the dissolution of NHS Trusts, is debited or credited, as appropriate, to the General Fund rather than to the Consolidated Statement of Comprehensive Net Expenditure.
- Receipt of National Insurance Contributions from the National Insurance Fund are recognised on a cash basis.

1.1 Changes to accounting policies

Prior to 2012-13, HM Treasury agreed an exemption from the FReM consolidation accounting policy which otherwise would have required the Department's financial statements to consolidate the accounts of certain charitable organisations and funds held on trust. This exemption no longer applies and as a result the financial position and results of these entities and funds have been consolidated. The Department has accounted for these transfers using merger accounting as required by the FReM. Prior year figures have been restated to reflect the change in accounting policy and three Statements of Financial Position have been presented. The change in accounting policy led to an increase of £1,915m in the net prior year assets and £86m reduction to net operating costs. If the change had not occurred, current year net operating cost would have been higher by £101m with a reduction in net assets of £1,993m.

Comparative Figures for 2010-11.

Under the Clear Line of Sight project, the Departmental Accounting Boundary was expanded so that NHS Trusts, NHS Foundation Trusts and Arms Length Bodies related to the Department were consolidated, for the first time, into the Department's 2011-12 resource accounts. In order to ensure that the prior year figures were comparable, the Department was required to restate the prior year (2010-11) comparative information to the 2011-12 financial statements to include these additional entities.

The restated 2010-11 comparative figures presented in our 2011-12 resource accounts were unaudited due to the application of the IAS 8 impracticability exemption which can be applied when a robust restatement exercise is considered impracticable. The application of the IAS 8 impracticability exemption related to uncertainty regarding the accuracy of the elimination of inter-group trading transactions in 2010-11 for the expanded group due to the absence of data.

The Department opted to include group comparative information in the 2011-12 resource accounts which was presented on a 'best endeavours' basis as opposed to including audited figures from the Department's 2010-11 accounts. This was on the basis that the impact of the Clear Line of Sight Initiative had a fundamental impact on the size and scale of the Department and that the previously audited information was therefore of no use to the user of the accounts in the context of the 2011-12 financial statements.

The IAS 8 impracticability exemption has been carried through to the 2012-13 financial statements in respect of the 2010-11 comparative information, where presented in this account. As a result the 2010-11 comparative figures remain unaudited. However, we consider that the 2012-13 financial statements are not materially misstated as a result of applying the exemption.

1.2 Operating segments

Income, expenditure, depreciation and other material items are analysed in the Statement of Operating Costs by Operating Segment (Note 6) and are reported in line with management information used within the department.

1.3 Accounting convention

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

1.4 Basis of consolidation

The consolidated departmental accounts include all entities designated for inclusion by HM Treasury. These entities are listed in Note 33, but in broad terms equate to those bodies which are classified by the Office of National Statistics to the Central Government sector. Transactions between entities included in the Resource Accounting Boundary are eliminated on consolidation.

More information on the individual entities within the Departmental family can be found in the annual reports and accounts of those organisations, and in the NHS Foundation Trusts Consolidated Accounts prepared by Monitor.

1.5 Going Concern

The Department of Health's Annual Report and Accounts are produced on a going concern basis. On 1st April 2013, Strategic Health Authorities and Primary Care Trusts (whose accounts are consolidated into these financial statements) were abolished by the Health and Social Care Act 2012. The functions, along with the assets and liabilities of these organisations, transferred to existing or new public sector bodies. In these circumstances the FReM requires organisations to prepare accounts on a going concern basis, provided there is a commitment from government and Parliament to continue to fund the functions. This commitment has been given through the passing of the Health and Social Care Act 2012 and the allocation of future funding.

1.6 Staff costs

Short-term employee benefits

For the Core Department, salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Non-consolidated performance pay and annual leave earned but not taken by the year end are not material and are not accrued at the year end.

For other entities consolidated into the financial statements salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material to the individual entity, annual leave that has been earned but not taken at the year end and non-consolidated performance pay are recognised in the financial statements of the underlying organisations.

Retirement benefit costs:

Principal Civil Service Pension Scheme

Past and present employees of the Department are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is described at Note 7.3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Department recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from the employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

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

NHS Pension Scheme

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

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

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. More details can be found in Note 7.3.

Local Government Superannuation Scheme

Some NHS and Arms Length Body employees are members of the Local Government Superannuation Scheme which is a defined benefit pension scheme. The scheme assets and liabilities attributed to these employees can be identified and are recognised in the organisation's accounts. 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 income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within expenditure. Actuarial gains and losses during the year are recognised in the General Fund and reported on the Statement of Changes in Taxpayers' Equity.

Other Pension Schemes

Some NHS Foundation Trusts, NHS Trusts and the Care Quality Commission have employees who are members of defined benefit pension schemes other than the NHS Pension Scheme or the Local Government Superannuation Scheme. Where the NHS organisation is able to identify its share of the underlying scheme liabilities these are accounted for as a defined benefit pension scheme ('on Statement of Financial Position').

Otherwise, these are accounted for as defined contribution pension schemes ('off Statement of Financial Position').

For further details, including a list of all these defined benefit pension schemes, please refer to the 2012-13 NHS Foundation Trusts Consolidated Accounts or the underlying statutory accounts of the relevant NHS organisation.

1.7 Administration and programme costs

The Consolidated Statement of Comprehensive Net Expenditure (CSCNE) is analysed between administration and programme costs, as defined by HM Treasury. In addition to the costs of running the Core Department, administration costs include the running costs associated with Arms Length Bodies, Strategic Health Authorities and the commissioning functions of Primary Care Trusts. Expenditure on the direct provision of healthcare or healthcare related services by NHS provider organisations (including NHS Trusts, NHS Foundation Trusts and NHS Charities) are classified as programme. As such, administration costs reflect the costs of running the Department and other non-provider NHS organisations, and do not directly relate to the provision of front-line services. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to, or support, front-line service delivery. Expenditure on the direct provision of healthcare by NHS provider organisations (including the running costs of those bodies) is also classified as programme.

1.8 Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME)

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

1.9 Estimate structure

The format of the 2012-13 Statement of Parliamentary Supply, and its supporting note: Analysis of net resource outturn by section (Note 2), follow the format of the Department's Estimate. Estimates are prepared in line with HM Treasury guidance for budgeting. This differs in a few small respects to the definitions within the Financial Reporting Manual and therefore a reconciliation is provided between net resource outturn and net operating cost. Net outturn against Estimate is analysed between Resource DEL, Capital DEL, Resource AME and Capital AME, as well as between Voted and Non-Voted net expenditure.

The main reconciling items in the Department's Annual Report and Accounts are:

- IFRIC12 adjustments: within the accounts, PFI/LIFT schemes follow IFRS accounting requirements, under which the majority of schemes are recognised as assets and associated liabilties within the Statement of Financial Position. Budget guidelines do not recognise these assets and liabilities and therefore expenditure is accounted for on a different timescale and at a different amount.
- Capital grants: these are included in the Consolidated Statement of Comprehensive Net Expenditure as revenue spending but for budgeting purposes are classified as capital DEL.
- Utilisation of provisions: under budgeting rules the creation of a provision scores to AME, but on utilisation, the amount used is reversed out of AME and reclassified to DEL. Although the utilisation of provisions has no impact on the Consolidated Statement of Comprehensive Net Expenditure, the movement between budget categories must nevertheless be recorded in the Statement of Parliamentary Supply.
- Consolidated Fund Extra Receipts: these are recorded as income in the Consolidated Statement of Comprehensive Net Expenditure but are excluded from the Statement of Parliamentary Supply as they fall outside the Ambit of the Vote and are thus excluded from the Estimate.

1.10 Grants payable

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

1.11 Audit costs

A charge reflecting the cost of audit is included in expenditure. The Department of Health is audited by the Comptroller and Auditor General. No cash charge is made for this service but a notional charge representing the cost of the audit is included in the accounts. This charge covers the audit costs in respect of the Department's Annual Report and Accounts. With the exception of NHS Foundation Trusts and NHS Charities, other consolidated bodies are audited by the Comptroller and Auditor General or an Audit Commission appointed auditor and include expenditure in respect of audit fees in their individual accounts. The accounts of NHS Foundation Trusts are audited by auditors appointed by their board of governors and also include expenditure in respect of audit fees. (Note 9 to the accounts refers).

1.12 Value added tax

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

1.13 Corporation tax

With the exception of some NHS Foundation Trusts, bodies within the Departmental Group are not liable to pay corporation tax.

The Finance Act 2004 amended s.519A Income and Corporation Taxes Act 1998 in order to give power to the Treasury to make certain non-core activities of NHS Foundation Trusts potentially subject to corporation tax. Subsequently, HM Revenue and Customs decided that Corporation tax would not be payable by NHS Foundation Trusts until the 2010-11 financial year.

The 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 Statement of Financial Position (SoFP) date, and any adjustments to tax payable in respect of previous years.

Using the liability method, deferred tax is provided on all temporary differences at the SoFP date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each SoFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are not discounted.

1.14 Income

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

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

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

Departmental budgets and estimates are set in the Spending Review (SR) on a net basis (i.e. net of income). Any income that may be retained within budgets (as set out in HM Treasury's Consolidated Budgeting Guidance) may also be retained in Estimates, and will reduce voted limits. Departments are allowed to keep the negative DEL income that they obtained in the SR period up to the amount that was taken into account in the SR. Additionally, in recognition that income cannot be predicted wholly accurately, Departments may also, in any year, retain negative RDEL income up to 20 per cent above the level envisaged for that year as part of the SR settlement without an adjustment to budgets. The retention of negative RDEL income beyond this level, without an adjustment to budgets, is subject to HM Treasury consideration/approval on a case by case basis.

1.15 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

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

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

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis

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

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

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

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

Subsequent expenditure

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

1.16 Intangible non current assets

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

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

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

Recognition and Valuation of intangible assets relating to DH Informatics Directorate programmes

Since 2006 the Department has used a financial model to apportion expenditure on the Local Service IT Provider contracts for the South and London. The model is reviewed regularly, with the latest such review being carried out in March 2013. Applying the financial models, DH Informatics Directorate programme assets are capitalised by reference to the two contracts and not individual assets. In terms of valuing these Local Service Provider assets, the financial model output alone is used.

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

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

1.17 Research and development

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

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

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

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

1.18 Depreciation, amortisation and impairments

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

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

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

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

1.19 Donated assets

Following the accounting policy change outlined in the 2011-12 FReM, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.20 Government grants

Following the accounting policy change outlined in the 2011-12 FReM, a government grant reserve is no longer maintained by Group bodies in receipt of government grants. Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.21 Non-current assets held for sale

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

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

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

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

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

1.22 Investment property

Investment properties are measured at fair value. Changes in fair value are recognised as revenue gains or losses.

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 investment properties.

1.23 Leases

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

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

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

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

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

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

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

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

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

a) Services received

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

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

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

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

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

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

c) Lifecycle replacement

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

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

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

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

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

Other assets contributed by consolidated bodies to the operator

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

1.25 Inventories and stockpiled goods

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

Inventories and stockpiled goods held by the Core Department are held at last price paid as a proxy for the lower of cost and net realisable value and fair value respectively. This is considered to be a reasonable approximation due to the high turnover of stocks. The Department undertakes an annual review of the difference between the last price paid for stockpiled goods and fair value. Where the difference is found to be material, the stockpiled goods are revalued to fair value.

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

1.26 Cash and cash equivalents

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

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

Cash, bank and overdraft balances are recorded at current values. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and ' Interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.27 Provisions

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

Early retirement provisions are discounted using HM Treasury's pension discount rate of 2.35% (2011-12: 2.8%) in real terms. In 2012-13 HM Treasury announced changes to the methodology used for determining the discount rate applied to all other provisions (general provisions), with new discount rates announced for short and medium term cashflows of -1.80% and -1.00% respectively (2011-12: 2.2% across the entire period) in real terms. The short term rate is applied to cash flows in a time boundary of between 0 and up to and including 5 years from the Statement of Financial Position date, with the medium term rate applied to the time boundary of after 5 and up to and including 10 years. The new methodology will not be applied to the long-term rate (exceeding 10 years) until the next Spending Review period and as such remains 2.2% in real terms.

1.28 Clinical and non-clinical negligence costs

Clinical and non-clinical negligence costs are managed through schemes run by the NHS Litigation Authority (NHSLA). The Existing Liability and Ex-Regional Health Authority schemes are funded by the Department of Health, whilst the Clinical Negligence Scheme for Trusts, Liability to Third Parties and Property Expenses Schemes are funded from Trust contributions. The accounts for the schemes are prepared by the NHSLA in accordance with IAS 37. A provision for these schemes, disclosed in Note 20, is calculated in accordance with IAS 37 by discounting the gross value of all claims received.

Calculation of the provision for each scheme is made using:

- probability factors. The probability of a claim having to be settled is assessed between 10% and 94%. This probability is applied to the gross value to give the probable cost of each claim; and
- a discount factor calculated using HM Treasury's real discount rates noted in Note 1.27 above (i.e. short term -1.8%, medium term -1.0% and long term 2.2%), RPI of 3% and claims inflation (varying between schemes) of between 5% and 10%, is applied to the probable cost to take into account the likely time to settlement.

The difference between the gross value of claims and the amount of the provision calculated above is also discounted, taking into account the likely time to settlement, and is included in contingent liabilities as set out in Note 26.

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

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

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

Clinical Negligence Scheme for Trusts (CNST)

A provision for this scheme is calculated in accordance with IAS 37 by discounting the gross value of all claims received relating to incidents that occurred on or before 31 March 2013 and after 1 April 1995.

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

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

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

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

Property Expenses Scheme and Liability to Third Parties Scheme

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

Incidents Incurred but not reported (IBNR)

IAS 37 requires the inclusion of liabilities in respect of incidents which have been incurred but not reported to the NHS Litigation Authority as at 31 March 2013 where the following can be reasonably forecast:

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

The NHSLA uses its actuaries, Lane, Clark & Peacock, to assess the potential value of IBNRs against each of the schemes it operates. The actuaries review existing claims records, and using an appropriate model, calculate values in respect of IBNRs for all schemes. The provisions and contingent liabilities arising are shown in notes 20 and 26 respectively. The sums concerned are accounting estimates, and, although determined on the basis of information currently available, the ultimate liabilities may vary as a result of subsequent developments.

1.29 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department, or

- a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

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

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

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

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

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

1.30 Financial instruments

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

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

Foreign currency forward purchase contracts are measured at fair value with movements in fair value being charged or credited to the Statement of Comprehensive Net Expenditure. The fair value is measured as the difference between the currency's closing mid-market rate at the date of valuation (representing the spot rate) and the rate stipulated in the contract, multiplied by the number of contracted units of currency. The Department obtains the closing mid-market rate from the Bank of England. The forward contracts will only have a fair value up to their date of settlement. Once each contract has been settled, it is removed from the Department's Statement of Financial Position. Any forward contracts are purchased from the Bank of England. As at 31 March 2013 the Department had no foreign currency forward purchase contracts in place.

1.31 Financial assets

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

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

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

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

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

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

1.32 Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

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

1.33 Foreign exchange

The functional and presentational currencies of all consolidated bodies are pounds sterling.

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

1.34 Assets belonging to third parties

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Department has no beneficial interest in them. These amounts are disclosed in Note 29.

1.35 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Department or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Futher information can be found on the HM Treasury website: www.hm-treasury.gov.uk. Losses and special payments are disclosed in Note 27.

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

1.36 NHS Charities

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

1.37 Transfer of Functions

In the course of 2012-13, certain functions were transferred to or from entities consolidated in this account, the counter parties being other public sector entities. The majority of the transactions were in connection with the "Transforming Community Services" (TCS) initiative, whereby elements of PCTs' provider functions transferred to NHS Trusts, NHS Foundation Trusts or Social Enterprises.

As public sector bodies are deemed to operate under common control, business reconfigurations within the Group are outside the scope of IFRS 3 Business Combinations. In previous years HM Treasury required that merger accounting be applied when functions transfer between two public sector bodies, however the 2012-13 FReM has been amended to require "absorption accounting" for such transfers. The FReM does not require retrospective adoption of the absorption accounting policy. Consequently, prior year transactions (which were accounted for under merger accounting principles as specifically adapted for TCS transactions by a HM Treasury and FRAB approved dispensation which allowed restatement to occur by an adjustment to 1 April opening balances rather than by the restatement of comparators) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which those transactions took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the CSCNE, and is disclosed separately from operating costs. Within the group account, no net impact arises as a consequence of the adoption of this policy as gains and losses are eliminated on consolidation. A net gain or loss is recognised where transactions involve a non-Departmental counter-party that is within the public sector but outside the DH group.

1.38 Accounting for the costs of the Carbon Reduction Commitment Energy Efficiency Scheme

The Department participates in the Carbon Reduction Commitment Energy Efficiency Scheme, which is in its introductory phase until April 2014. The Department is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. for carbon dioxide produced as energy is used. A liability and an expense are recognised, measured at the best estimate of the allowances for the energy usage in 2012-13.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts in 2012-13, were they applied in that year:

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income) – effective 2013-14
- IAS 16 Property, Plant and Equipment – effective 2013-14

- IAS 19 Post-Employment Benefits – effective 2013-14
- IAS 27 Separate Financial Statements – subject to consultation
- IAS 28 Investments in Associates and Joint Ventures – subject to consultation
- IFRS 9 Financial Instruments - subject to consultation
- IFRS 10 Consolidated Financial Statements - subject to consultation
- IFRS 11 Joint Arrangements - subject to consultation
- IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
- IFRS 13 Fair Value Measurement - subject to consultation

1.40 Significant Accounting Policies and material judgements

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

IFRS 5 Assets Held For Sale - imposes conditions to be met for assets to be classified as Non Current Assets Held for Sale. In meeting these conditions the Department has made a judgment that the asset sale will be highly probable and the assets carrying amount will be recovered through a sale of the asset.

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

IAS38 Intangible Assets - Accounting note 12 shows the Department's consolidated position of Intangible Assets. Recognition and measurement of Intangible Assets is in line with IAS38. Management have made judgement to use the Retail Price Index as the most appropriate index for use in valuing the National Programme for IT. The RPI has been used as it is the Department's consideration that, given the size of the National Programme for IT, any IT specific index would be skewed by the programme itself.

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

2 Net outturn

2.1 Analysis of net resource outturn by section

	Administration			Programme			Outturn Total	Net Total Estimate	Net total compared to Estimate Savings /(excess)	2012-13 £'000 Estimate Net total compared to Estimate, adjusted for virements	Restated 2011-12 £'000 Outturn Total
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
PCT & SHA expenditure	2,700,351	(115,240)	2,585,111	16,469,635	(1,709,986)	14,759,649	17,344,759	16,740,025	(604,734)	197,166	18,370,604
DH Programme expenditure (NHS)	40,642	-	40,642	1,782,074	(121,944)	1,660,130	1,700,772	2,721,295	1,020,523	737,456	1,841,758
Special Health Authorities expenditure	294,401	(18,119)	276,282	1,948,965	(61,891)	1,887,074	2,163,356	1,959,069	(204,287)	86,786	2,270,163
DH Programme and Administration expenditure	593,485	(26,693)	566,792	1,307,850	(82,483)	1,225,367	1,792,159	1,943,478	151,319	216,662	1,769,447
Social Care expenditure	-	-	-	1,378,364	-	1,378,364	1,378,364	1,357,000	(21,364)	-	1,325,914
NHS Trusts net expenditure	-	-	-	27,329,415	-	27,329,415	27,329,415	27,931,900	602,485	243,812	27,537,294
NHS Foundation Trusts net expenditure	-	-	-	33,772,148	-	33,772,148	33,772,148	34,264,605	492,457	49,229	31,327,210
Non Departmental Public Bodies net expenditure	201,221	-	201,221	181,414	-	181,414	382,635	477,348	94,713	-	285,403
Non-voted:											
PCT and SHA expenditure financed by NI Contributions	-	-	-	18,084,621	-	18,084,621	18,084,621	18,080,178	(4,443)	(4,443)	16,863,807
	3,830,099	**(160,052)**	**3,670,048**	**102,254,486**	**(1,976,304)**	**100,278,181**	**103,948,229**	**105,474,898**	**1,526,669**	**1,526,669**	**101,591,800**
Annually Managed Expenditure (AME)											
Voted:											
PCT & SHA expenditure	-	-	-	591,066	-	591,066	591,066	843,971	252,905	-	217,568
DH Programme expenditure (NHS)	-	-	-	123,166	-	123,166	123,166	9,057	(114,109)	-	45,118
Special Health Authorities expenditure	-	-	-	4,085,467	-	4,085,467	4,085,467	3,896,726	(188,741)	-	2,017,572
DH Programme and Administration expenditure	-	-	-	(65,353)	(23,167)	(88,520)	(88,520)	321,319	409,839	92,023	90,269
Social Care expenditure	-	-	-	-	-	-	-	-	-	-	-
NHS Trusts net expenditure	-	-	-	508,969	-	508,969	508,969	400,197	(108,772)	-	417,923
NHS Foundation Trusts net expenditure	-	-	-	559,159	-	559,159	559,159	400,061	(159,098)	-	399,321
Non Departmental Public Bodies net expenditure	-	-	-	(4,193)	-	(4,193)	(4,193)	(3,029)	1,164	1,164	5,330
	-	**-**	**-**	**5,798,282**	**(23,167)**	**5,775,114**	**5,775,114**	**5,868,302**	**93,188**	**93,188**	**3,193,101**
Total	**3,830,099**	**(160,052)**	**3,670,048**	**108,052,767**	**(1,999,471)**	**106,053,296**	**109,723,343**	**111,343,200**	**1,619,857**	**1,619,857**	**104,784,901**
Reconciliation to Statement of Comprehensive Net Expenditure											
Loss on transfers by absorption	(28,321)	-	(28,321)	(227,531)	-	(227,531)	(255,852)	-	255,852	255,852	-
Gain on transfers by absorption	-	16,564	16,564	-	239,279	239,279	255,843	-	(255,843)	(255,843)	-
Capital Grants	1,321	-	1,321	374,475	-	374,475	375,796	255,503	(120,293)	(120,293)	296,948
Income from Consolidated Fund Extra Receipts	-	-	-	-	(10)	(10)	(10)	-	10	10	(4,072)
Utilisation of provisions	(164,504)	-	(164,504)	164,503	-	164,503	(1)	-	1	1	-
IFRIC 12 adjustments	4,473	-	4,473	217,433	-	217,433	221,906	-	(221,906)	(221,906)	582,940
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-
Donated asset/government granted income	-	-	-	-	(76,646)	(76,646)	(76,646)	-	76,646	76,646	(157,151)
Expenditure presented on net basis[1]	79,288	(79,288)	-	4,874,187	(4,874,187)	-	-	-	-	-	-
Other adjustments	-	-	-	7,280	-	7,280	7,280	-	(7,280)	(7,280)	-
Net operating cost	**3,722,356**	**(222,776)**	**3,499,580**	**113,463,113**	**(6,711,035)**	**106,752,079**	**110,251,659**	**111,598,703**	**1,347,044**	**1,347,044**	**105,503,567**

Footnote
1) Under Parliamentary reporting requirements, expenditure for NDPBs, NHS Trusts and Foundation Trusts is shown net of income. This differs from the treatment in the Consolidated Statement of Comprehensive Net Expenditure, where income and expenditure are reported separately on a gross basis.

2.2 Analysis of net capital outturn by section

	2012-13 £'000						Restated 2011-12 £'000
	Outturn			Estimate			Outturn
	Gross	Income	Net Total	Net Total Estimate	Net total compared to Estimate Savings /(excess)	Net total compared to Estimate adjusted for virements	Net Total
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
PCT & SHA expenditure	623,213	(95,299)	527,913	561,911	33,998	33,998	445,520
DH Programme expenditure (NHS)	424,301	(79,286)	345,015	469,955	124,940	124,940	357,890
Special Health Authorities expenditure	40,327	(1,840)	38,487	53,894	15,407	15,407	323,902
DH Programme and Administration expenditure	67,491	(2,289)	65,202	194,010	128,808	128,808	57,451
Social Care expenditure	126,590	-	126,590	126,590	-	-	143,790
NHS Trusts net expenditure	1,117,538	-	1,117,538	1,206,051	88,513	88,513	1,053,825
NHS Foundation Trusts net expenditure	1,518,070	-	1,518,070	1,745,348	227,278	227,278	1,349,431
Non Departmental Public Bodies net expenditure	44,066	-	44,066	137,675	93,609	93,609	39,461
Non-voted:							
PCT and SHA expenditure financed by NI Contributions	-	-	-	-	-	-	-
	3,961,595	**(178,714)**	**3,782,882**	**4,495,434**	**712,552**	**712,552**	**3,771,269**
Annually Managed Expenditure (AME)							
Voted:							
PCT & SHA expenditure	-	-	-	-	-	-	-
DH Programme expenditure (NHS)	-	-	-	-	-	-	-
Special Health Authorities expenditure	-	-	-	-	-	-	-
DH Programme and Administration expenditure	-	-	-	-	-	-	-
NHS Trusts net expenditure	-	-	-	-	-	-	-
NHS Foundation Trusts net expenditure	-	-	-	-	-	-	-
Non Departmental Public Bodies net expenditure	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	**3,961,595**	**(178,714)**	**3,782,882**	**4,495,434**	**712,552**	**712,552**	**3,771,269**

Explanations of variances between Estimate and outturn are given in the Annual Report & Management Commentary.

3 Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

		Note	2012-13 £'000 Outturn	Restated 2011-12 £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	2.1	109,723,343	104,784,858
	Non-Budget	2.1	-	-
			109,723,343	104,784,858
Add:	Capital Grants		375,796	296,948
	PFI/LIFT expenditure under IFRS		1,839,667	2,032,628
	Gain on transfers by absorption		255,843	-
	Other		7,280	-
			2,478,585	2,329,576
Less:	Income payable to the Consolidated Fund	5.1	(10)	(4,029)
	Donated asset/government granted income		(76,646)	(157,151)
	PFI/LIFT expenditure under UK GAAP		(1,617,761)	(1,449,688)
	Loss on transfers by absorption		(255,852)	-
	Prior period adjustments		-	-
	Other		-	-
			(1,950,269)	(1,610,868)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**110,251,659**	**105,503,566**

3.2 Outturn against final Administration Budget and Administration net operating cost

	2012-13 £'000 Outturn	Restated 2011-12 £'000 Outturn
Estimate - Administration limit	4,170,662	4,432,478
Outturn - Gross Administration Costs	3,830,099	3,817,220
Outturn - Gross income relating to administration costs	(160,052)	(276,495)
Outturn - Net administration costs	**3,670,047**	**3,540,725**
Reconciliation to operating costs:		
Add: Capital Grants	1,321	1,203
Add: PFI/LIFT expenditure under IFRS	48,803	34,264
Add: Gain on transfers by absorption	16,564	-
Less: provisions utilised (transfer from Programme)	(164,504)	(73,255)
Less: PFI/LIFT expenditure under UK GAAP	(44,330)	(19,607)
Less: Loss on transfers by absorption	(28,321)	-
Less: Income payable to the Consolidated Fund	-	-
Less: other	-	-
Administration Net Operating Costs	**3,499,580**	**3,483,330**

4 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2012-13 £'000 Net total outturn compared with Estimate: Savings/(excess)
Resource Outturn	2.1	111,343,200	109,723,343	1,619,857
Capital Outturn	2.2	4,495,434	3,782,882	712,552
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(1,275,224)	(938,798)	(336,426)
New provisions and adjustments to previous provisions		(6,940,247)	(5,234,753)	(1,705,494)
Finance leased asset additions			(100,144)	100,144
IFRIC12 revenue adjustments			86,530	(86,530)
IFRIC12 capital adjustments			147,285	(147,285)
Adjustment for stockpiled goods			30,192	(30,192)
Net gain/loss on transfers by absorption			(3,996)	3,996
Other non-cash items		9,062	(1,938,881)	1,947,943
Adjustments for NDPBs, NHS Trusts, Foundation Trusts and Charities				
Remove voted resource and capital		(66,560,157)	(65,246,635)	(1,313,522)
Add cash grant-in-aid and expenditure financed by Parliamentary Funding and PDC and loans from Core Department		64,321,635	62,727,845	1,593,790
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventory			12,882	(12,882)
less transfers from non-current assets			(761)	761
Increase/(decrease) in receivables			(439,594)	439,594
less movement in Consolidated Fund receivables			27,277	(27,277)
less movement in PFI and other service concession arrangement prepayments			(2,150)	2,150
less movement in current financial assets			25,494	(25,494)
add PFI prepayments outward cash payments			507	(507)
(Increase)/decrease in payables		180,000	(433,112)	613,112
less movement in overdraft			(2,341)	2,341
less movement in payables to the Consolidated Fund			824,606	(824,606)
less movement in finance lease/PFI payables			107,658	(107,658)
add capital element of finance lease/PFI payables			41,615	(41,615)
Use of provisions		2,027,951	2,329,876	(301,925)
		107,601,654	105,526,827	2,074,828
Removal of non-voted budget items:				
National Insurance contributions		(18,080,178)	(18,084,621)	4,443
Other adjustments				
Net cash transferred under absorption accounting			1,190	(1,190)
Other cashflow adjustments			(175,367)	175,367
Net cash requirement		**89,521,476**	**87,268,029**	**2,253,448**

5 Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2012-13 £'000		Outturn 2011-12 £'000	
	Income	***Receipts***	**Income**	***Receipts***
Operating income outside the ambit of the Estimate	10	*20,008*	4,029	*95*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**10**	***20,008***	**4,029**	***95***

5.2 Consolidated Fund Income

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

6 Statement of Operating Costs by Operating Segment

The reportable segments disclosed within this note reflect the current structure of the Departmental Group as defined in legislation, with the activities of each reportable segment thus reflecting the statutory remit of those bodies. These operating segments are reported to the Department of Health Departmental Board for financial management purposes. They cover the Core Department of Health (which includes DH Informatics Directorate and Social Care Grants), the NHS (both SHAs and PCTs as commissioners and NHS Trusts and NHS Foundation Trusts as providers of healthcare), and all Arms Length Bodies (both Special Health Authorities and Executive non-Departmental Public Bodies). Where appropriate, total net expenditure has been categorised into either administration or programme types. Net expenditure by operating segment is regularly reported on this basis to the Departmental Board. The information provided to the Departmental Board is presented on a budgeting basis and therefore mirrors the Statement of Parliamentary Supply but can be reconciled to the Consolidated Statement of Comprehensive Net Expenditure as shown in the table below. Multiple transactions take place between reportable segments; primarily between commissioning and provider bodies within the NHS. All inter company transactions are eliminated upon consolidation as shown in the "Inter company Eliminations" column of the table below. Information on total assets and liabilities and net assets and liabilities is not separately reported to the Chief Operating Decision Maker and thus, in accordance with IFRS 8, does not form part of this disclosure.

6.1 Departmental Group Summary

											2012-13
		DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Administration gross expenditure		3,472,294	2,371,984	386,011	-	-	299,806	276,089	-	(3,083,828)	3,722,356
Administration income		(25,210)	(130,340)	(23,290)	-	-	(24,432)	(74,733)	-	55,229	(222,776)
Administration net expenditure		**3,447,084**	**2,241,644**	**362,721**	**-**	**-**	**275,374**	**201,356**	**-**	**(3,028,599)**	**3,499,580**
Programme gross expenditure		102,768,953	94,243,136	5,531,812	31,005,586	39,072,441	6,041,001	337,917	291,685	(165,829,416)	113,463,114
Programme income		(1,106,622)	(2,782,728)	(28,916)	(30,461,165)	(38,921,190)	(1,620,503)	(226,187)	(304,596)	68,740,872	(6,711,035)
Programme net expenditure		**101,662,331**	**91,460,408**	**5,502,896**	**544,421**	**151,251**	**4,420,498**	**111,730**	**(12,911)**	**(97,088,545)**	**106,752,079**
Total net expenditure (per CSCNE)		**105,109,415**	**93,702,052**	**5,865,617**	**544,421**	**151,251**	**4,695,872**	**313,086**	**(12,911)**	**(100,117,144)**	**110,251,659**
Budgeting adjustments per Note 3											
Capital Grants		286,804	88,992	-	-	-	-	-	-	-	375,796
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		19,997	58,642	-	(158,618)	219,154	10,758	2,587	-	1	152,520
Total adjustments		**306,801**	**147,633**	**-**	**(158,618)**	**219,154**	**10,758**	**2,587**	**-**	**1**	**528,316**
Budget outturn per note 2, of which:		**104,802,614**	**93,554,418**	**5,865,617**	**703,039**	**(67,903)**	**4,685,114**	**310,499**	**(12,911)**	**(100,117,145)**	**109,723,343**
	RDEL	104,767,968	92,958,684	5,870,285	194,070	(627,062)	599,647	314,692	(12,911)	(100,117,145)	103,948,229
	RAME	34,646	595,734	(4,668)	508,969	559,159	4,085,467	(4,193)	-	-	5,775,114

Restated 2011-12

		DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (DNDPB) £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Administration gross expenditure		3,432,524	2,301,476	374,617	-	-	338,051	302,333	-	(2,989,176)	3,759,826
Administration income		(12,513)	(148,199)	(23,867)	-	-	(23,861)	(85,099)	-	17,045	(276,495)
Administration net expenditure		**3,420,011**	**2,153,277**	**350,750**	**-**	**-**	**314,190**	**217,234**	**-**	**(2,972,131)**	**3,483,331**
Programme gross expenditure		100,590,068	91,610,826	5,475,366	31,628,818	35,779,357	3,998,306	314,534	291,584	(161,422,266)	108,266,573
Programme income		(1,113,936)	(2,739,586)	(34,604)	(30,911,248)	(35,855,513)	(1,551,403)	(254,788)	(288,975)	66,503,714	(6,246,339)
Programme net expenditure		**99,476,132**	**88,871,240**	**5,440,762**	**717,570**	**(76,156)**	**2,446,903**	**59,746**	**2,609**	**(94,918,572)**	**102,020,234**
Total net expenditure (per CSCNE)		**102,896,143**	**91,024,517**	**5,791,512**	**717,570**	**(76,156)**	**2,761,093**	**276,980**	**2,609**	**(97,890,703)**	**105,503,566**
Budgeting adjustments per Note 3											
Capital Grants		237,484	59,464	-	-	-	-	-	-	-	296,948
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		14,585	67,479	-	349,015	(9,319)	-	-	-	-	421,760
Total adjustments		**252,069**	**126,943**	**-**	**349,015**	**(9,319)**	**-**	**-**	**-**	**-**	**718,708**
Budget outturn per note 2, of which:		**102,644,074**	**90,897,574**	**5,791,512**	**368,555**	**(66,837)**	**2,761,093**	**276,980**	**2,609**	**(97,890,703)**	**104,784,858**
	RDEL	102,508,687	90,684,336	5,787,181	(49,367)	(466,158)	743,521	271,650	2,609	(97,890,703)	101,591,757
	RAME	135,386	213,237	4,331	417,923	399,321	2,017,572	5,330	-	-	3,193,101

6.2 Departmental Group Detail – Expenditure

	DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	NHS Charities £000	Inter company Eliminations £000	2012-13 Departmental Group £000
Total net expenditure (per CSCNE)	**105,109,415**	**93,702,052**	**5,865,617**	**544,421**	**151,251**	**4,695,872**	**313,086**	**-12,911**	**(100,117,144)**	**110,251,659**
Material Expenditure Items										
Staff costs	252,368	1,938,770	263,438	19,321,825	24,667,368	172,079	348,834	-	(51,623)	46,913,060
Purchase of Healthcare from Non-NHS bodies	-	8,970,172	-	220,628	-	-	-	-	(29)	9,190,771
Social Care from Independent Providers	-	139,966	-	-	-	-	-	-	-	139,966
Expenditure on Drugs Action Teams	-	458,101	-	-	-	-	-	-	(54,541)	403,560
Non-GMS Services from GPs	-	180,418	-	-	-	-	-	-	1	180,419
General Dental Services (GDS) and Personal Dental Services (PDS)	-	2,893,806	-	-	-	-	-	-	(50,115)	2,843,691
Consultancy Services	27,508	172,945	25,056	172,860	194,207	671	16,460	-	(2,517)	607,190
Establishment	150,955	222,530	33,232	448,650	537,352	15,519	18,650	-	(55,299)	1,371,588
Transport	64	14,488	269	322,562	181,422	4,846	6,541	-	(11,188)	519,005
Premises	18,462	718,805	31,081	1,583,796	1,777,920	22,880	35,240	-	(484,601)	3,723,582
NHS CfO major contract costs	412,866	-	-	-	-	-	-	-	-	412,866
Clinical Negligence Costs	-	8,055	-	467,901	502,178	-	-	-	(918,646)	59,488
Education, Training & Conferences	1,615	137,392	-	166,237	140,907	1,910	2,833	-	(57,818)	393,076
MPET	-	-	4,692,628	-	-	-	-	-	(3,529,384)	1,163,244
Prescribing Costs	-	7,898,231	-	-	-	-	-	-	(11,258)	7,886,973
GPMS	-	7,669,213	-	-	-	-	-	-	(117,457)	7,551,756
Pharmaceutical Services	-	2,183,801	-	-	-	-	-	-	-	2,183,801
General Ophthalmic Services	-	492,565	-	-	-	-	-	-	-	492,565
Supplies and Services - Clinical	-	189,906	-	1,739,216	3,213,639	4	431	-	(402,268)	4,740,928
Supplies and Services - General	-	86,912	-	686,940	677,853	16,870	110,519	-	(75,272)	1,503,822
Current Grants to Other Bodies	211,200	113,870	-	-	-	-	-	-	-	325,070
Current Grants to Local Authorities	1,383,352	-	-	-	-	-	-	-	-	1,383,352
Capital Grants	286,804	88,992	-	-	-	-	-	-	-	375,796
Impairment of Receivables	(109)	8,030	51	26,010	29,242	6	36	-	(9,740)	53,526
Inventories consumed	187,873	7,581	-	2,608,507	3,900,995	-	-	-	-	6,704,956
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	350,846	457,138	-	-	-	(807,984)	-
Rentals under operating leases	19,960	256,762	11,632	345,409	310,370	6,445	11,336	-	(128,725)	833,189
Interest charges	2,892	194,392	-	376,595	379,247	-	-	-	(60,596)	892,530
Research and Development Expenditure	943,671	15,810	-	98,314	120,361	1,926	180	-	(37,550)	1,142,712
Depreciation	62,193	362,933	1,485	936,541	1,127,776	5,630	25,487	-	-	2,522,045
Amortisation	481,191	9,751	146	35,915	53,790	15,468	13,286	-	-	609,547
Impairments and reversals	41,963	235,998	3,322	535,417	559,470	(2,286)	(229)	-	-	1,373,655
Provisions provided for in year	566,849	694,210	3,075	195,347	186,792	3,970,618	(456)	-	(1)	5,616,435
Grant in Aid	330,829	-	-	-	-	-	-	-	(330,829)	-
Funding to Group Bodies	99,786,314	-	-	-	-	-	-	-	(99,786,314)	-
Provisions - Change in discount rate	146,693	1,198	-	7,426	6,012	1,411,694	-813	-	-	1,572,210
Other	836,903	259,757	850,093	80,432	(107,352)	674,513	20,046	-	(1,718,323)	896,069
Resources expended by NHS charities	-	-	-	-	-	-	-	291,685	(87,870)	203,815
Non material expenditure items	88,831	59,989,760	2,315	278,212	155,754	22,014	5,625	-	(60,143,300)	399,211
Total Expenditure	**106,241,247**	**96,615,120**	**5,917,823**	**31,005,586**	**39,072,441**	**6,340,807**	**614,006**	**291,685**	**(168,913,246)**	**117,185,469**

Restated 2011-12

	DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Total net expenditure (per CSCNE)	**102,896,143**	**91,024,517**	**5,791,512**	**717,570**	**(76,156)**	**2,761,093**	**276,980**	**2,609**	**(97,890,703)**	**105,503,566**
Material Expenditure Items										
Staff costs	266,348	2,358,373	259,805	19,821,928	23,140,959	162,793	318,916	-	(39,293)	46,289,829
Purchase of Healthcare from Non-NHS bodies	-	8,457,864	-	222,749	-	-	-	-	(5,727)	8,674,886
Social Care from Independent Providers	-	190,565	-	-	-	-	-	-	-	190,565
Expenditure on Drugs Action Teams	-	420,793	-	-	-	-	-	-	(47,768)	373,025
Non-GMS Services from GPs	-	182,974	-	-	-	-	-	-	-	182,974
General Dental Services (GDS) and Personal Dental Services (PDS)	-	2,857,627	-	-	-	-	-	-	(44,946)	2,812,681
Consultancy Services	18,199	109,750	23,525	144,738	176,292	2,317	5,967	-	(7,557)	473,231
Establishment	137,973	217,335	30,979	440,508	533,554	21,670	1,754	-	(63,839)	1,319,934
Transport	186	19,538	295	347,942	157,178	4,976	11,048	-	(12,295)	528,868
Premises	19,102	686,690	28,195	1,539,620	1,734,364	22,657	32,280	-	(493,979)	3,568,927
NHS CIO major contract costs	453,548	-	-	-	-	-	-	-	-	453,548
Clinical Negligence Costs	-	8,889	-	445,845	445,861	-	-	-	(862,930)	37,665
Education, Training & Conferences	2,459	145,802	-	175,373	109,083	652	31,855	-	(79,664)	385,560
MPET	-	-	4,686,277	-	-	-	-	-	(3,564,473)	1,121,804
Prescribing Costs	-	8,251,173	-	-	-	-	-	-	(7,704)	8,243,469
GPMS	-	7,580,499	-	-	-	-	-	-	(110,194)	7,470,305
Pharmaceutical Services	-	2,139,334	-	-	-	-	-	-	-	2,139,334
General Ophthalmic Services	-	490,440	-	-	-	-	-	-	-	490,440
Supplies and Services - Clinical	-	256,188	-	1,741,231	2,788,262	29	-	-	(341,452)	4,444,258
Supplies and Services - General	-	99,305	-	677,648	653,231	16,856	81,309	-	(83,031)	1,445,318
Current Grants to Other Bodies	234,874	152,917	-	-	-	16,856	-	-	-	404,647
Current Grants to Local Authorities	1,346,195	-	-	-	-	-	-	-	-	1,346,195
Capital Grants	237,484	59,464	-	-	-	-	-	-	-	296,948
Impairment of Receivables	(1,208)	17,850	6	44,933	53,637	-	-	-	(986)	114,232
Inventories consumed	205,576	16,450	-	2,692,391	2,793,230	-	-	-	-	5,707,647
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	398,350	445,032	-	-	-	(843,382)	-
Rentals under operating leases	22,214	268,077	12,174	351,205	288,676	9,112	12,937	-	(133,807)	830,589
Interest charges	2,506	173,684	-	347,494	-	-	-	-	(27,199)	496,485
Research and Development Expenditure	914,658	17,586	-	81,930	86,562	1,764	-	-	(37,198)	1,065,302
Depreciation	106,005	335,841	1,613	943,846	977,531	5,994	25,908	-	-	2,396,738
Amortisation	557,908	8,511	110	32,450	42,038	17,218	13,508	-	-	671,743
Impairments and reversals	83,772	187,491	-	780,810	366,240	30,516	7,627	-	-	1,456,456
Provisions provided for in year	777,643	228,221	11,174	178,991	165,282	3,356,610	1,304	-	-	4,719,225
Grant in Aid	242,149	-	-	-	-	-	-	-	(242,149)	-
Funding to Group Bodies	97,648,553	-	-	-	-	-	-	-	(97,648,553)	-
Provisions - Change in discount rate	-	-	-	-	-	-	-	-	-	-
Other	719,556	13,668	792,942	(101,155)	714,313	667,926	67,618	-	(1,464,605)	1,410,263
Resources expended by NHS charities	-	-	-	-	-	-	-	291,584	(88,902)	202,682
Non material expenditure items	26,892	57,959,403	2,888	319,991	108,032	(1,589)	4,836	-	(58,159,827)	260,626
Total Expenditure	**104,022,592**	**93,912,302**	**5,849,983**	**31,628,818**	**35,779,357**	**4,336,357**	**616,867**	**291,584**	**(164,411,461)**	**112,026,399**

6.3 Departmental Group Detail – Income

	DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	NHS Charities £000	Inter company Eliminations £000	2012-13 Departmental Group Group £000
Material Income Items										
Income from Local authorities	-	(298,911)	-	(389,632)	-	-	-	-	-	(688,543)
Income from Private patients	-	(112)	-	(127,197)	(351,452)	-	-	-	-	(478,761)
Interest revenue	(81,776)	(8,084)	-	(7,323)	(32,722)	-	(20)	-	59,442	(70,483)
Prescription Pricing Regulation Scheme	(76,212)	-	-	-	-	-	-	-	-	(76,212)
Prescription Fees and Charges	-	(449,550)	-	-	-	-	-	-	-	(449,550)
Dental Fees and Charges	-	(653,006)	-	-	-	-	-	-	-	(653,006)
Other Fees and Charges	-	(9,462)	(18,566)	(197,265)	-	(618,854)	(277,967)	-	752,717	(369,397)
PDC Dividend Received	(805,837)	-	-	-	-	-	-	-	805,837	-
Patient transport services	-	(3)	-	(2,400)	(54,394)	-	-	-	56,690	(107)
Education, training and research	-	(177,085)	-	(1,665,005)	(2,080,741)	(12)	(1,031)	-	3,583,841	(340,033)
Sale of Goods and Services	(58,358)	-	-	-	(34,170,316)	(1,017,768)	(3,637)	-	34,395,365	(854,713)
Income from injury costs recovery	-	(412)	-	(103,706)	(104,904)	-	-	-	-	(209,022)
Charitable and other contributions to expenditure	-	(2,097)	-	(16,547)	(91,940)	-	-	-	34,387	(76,197)
Other income	(46,401)	(175,564)	(20,255)	(637,944)	(1,217,384)	(7,480)	(17,793)	-	810,645	(1,312,176)
Income received by NHS charities	-	-	-	-	-	-	-	(304,595)	-	(304,595)
Non-material income categories	(63,249)	(1,138,782)	(13,385)	(27,314,146)	(817,338)	(821)	(471)	-	28,297,177	(1,051,015)
Total Income	**(1,131,833)**	**(2,913,068)**	**(52,206)**	**(30,461,165)**	**(38,921,191)**	**(1,644,935)**	**(300,919)**	**(304,595)**	**68,796,102**	**(6,933,810)**
Total net expenditure (per CSCNE)	**105,109,415**	**93,702,052**	**5,865,617**	**644,421**	**161,251**	**4,695,872**	**313,086**	**(12,911)**	**(100,117,144)**	**110,251,659**

Restated 2011-12

	DH Core £000	PCT £000	SHA £000	NHS Trusts £000	NHS Foundation Trusts £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Material Income Items										
Income from Local authorities	-	(354,230)	-	(211,077)	-	-	-	-	-	(565,307)
Income from Private patients	-	(1,571)	-	(177,312)	(275,179)	-	-	-	-	(454,062)
Interest revenue	(89,161)	(7,518)	-	(8,169)	(29,271)	-	(15)	-	59,208	(74,926)
Prescription Pricing Regulation Scheme	(65,316)	-	-	-	-	-	-	-	-	(65,316)
Prescription Fees and Charges	-	(426,095)	-	-	-	-	-	-	-	(426,095)
Dental Fees and Charges	-	(637,121)	-	-	-	-	-	-	-	(637,121)
Other Fees and Charges	-	(10,176)	(20,157)	(212,431)	-	(5,873)	(98,787)	-	81,317	(266,107)
PDC Dividend Received	(846,102)	-	-	-	-	-	-	-	846,102	-
Patient transport services	-	(159)	-	(3,370)	(22,955)	-	-	-	24,748	(1,736)
Education, training and research	-	(184,566)	-	(1,738,521)	(1,396,047)	(30)	-	-	3,152,633	(166,531)
Sale of Goods and Services	(42,462)	-	-	-	(31,568,389)	(945,600)	(156,668)	-	31,760,923	(952,196)
Income from injury costs recovery	-	(1,255)	-	(110,894)	(109,570)	-	-	-	-	(221,719)
Charitable and other contributions to expenditure	-	(2,806)	-	(28,255)	(59,293)	-	-	-	26,336	(74,018)
Other income	(38,217)	(178,904)	(28,780)	(535,376)	(1,607,477)	(620,731)	(84,058)	-	1,707,023	(1,386,520)
Income received by NHS charities	-	-	-	-	-	-	-	(288,975)	-	(288,975)
Non-material income categories	(45,192)	(1,083,383)	(9,534)	(27,885,843)	(777,332)	(3,030)	(359)	-	28,862,468	(942,205)
Total Income	**(1,126,450)**	**(2,887,786)**	**(58,471)**	**(30,911,248)**	**(36,855,513)**	**(1,575,264)**	**(339,887)**	**(288,975)**	**66,520,756**	**(6,822,834)**
Total net expenditure (per CSCNE)	**102,896,143**	**91,024,617**	**5,791,612**	**717,671**	**(76,166)**	**2,761,093**	**276,980**	**2,609**	**(97,890,703)**	**105,503,866**

Footnote

1) In 2011-12, NHS Foundation Trusts classified income relating to Research and Development as 'Other income'. In 2012-13, this income has been classified as 'Education, training and research' income but the figures above for 2011-12 have not been restated. The value of this income in 2012-13 is 565,255kk, of which £430,188k was received from other bodies within the Departmental group (2011-12: £465,142k, of which £379,054k was within the Departmental group).

7 Staff numbers and related costs

7.1 Staff costs comprise:

	2012-13 £'000					2011-12 £'000
	Total	Permanently employed staff	Others	Ministers	Special Advisors	Total
Salaries and Wages	39,490,401	35,638,009	3,852,009	220	163	38,836,158
Social Security costs	2,946,589	2,881,482	65,065	23	19	2,890,775
NHS Pension	4,153,709	4,084,189	69,520	-	-	4,103,697
Other pension costs	75,317	72,641	2,654	-	22	90,996
Termination benefits	365,261	369,435	(4,174)	-	-	467,384
Sub-total	**47,031,277**	**43,045,755**	**3,985,074**	**243**	**204**	**46,389,010**
Less recoveries in respect of Outward Secondments	(6,043)	(6,043)	-	-	-	(5,269)
Total Net Costs	**47,025,234**	**43,039,712**	**3,985,074**	**243**	**204**	**46,383,741**
Of which Core Department Revenue Expenditure is	252,368	130,917	121,004	243	204	266,347
Of which Core Department Capital Expenditure is	6,300	-	6,300	-	-	15,641
Of which other Departmental Group bodies Revenue Expenditure is	46,660,694	42,844,826	3,815,868	-	-	46,023,482
Of which other Departmental Group bodies Capital Expenditure is	105,872	63,970	41,902	-	-	78,271

Footnote

1) DH Informatics Directorate is responsible for implementing major IT programmes in the NHS. The employment contracts or secondment agreements of almost all of its staff are held for the Department on a "hosted" basis by the NHS Business Services Authority. The staff costs associated with these employees are reported in the "Others" column as they do not have a permanent employment contract with the Department.

7.2 Average number of persons employed

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

	2012-13 Number					2011-12 Number
	Total	Permanent staff	Others	Ministers	Special Advisors	Total
Core Department (excluding DH Informatics Directorate)	2,641	2,176	458	5	2	2,753
DH Informatics Directorate	1,233	16	1,217	-	-	1,311
Primary Care Trusts	37,273	32,937	4,336	-	-	51,528
Strategic Health Authorities	3,684	2,808	876	-	-	3,890
NHS Trusts	455,728	421,757	33,971	-	-	475,060
NHS Foundation Trusts	588,942	543,790	45,152	-	-	566,702
Special Health Authorities	4,425	3,922	503	-	-	4,246
Non Departmental Public Bodies	6,706	6,029	677	-	-	6,080
Others	2	-	2	-	-	-
Total	**1,100,634**	**1,013,435**	**87,192**	**5**	**2**	**1,111,570**
Of the above, the following staff were engaged on capital projects:						
Core Department (including DH Informatics Directorate)	131	-	131	-	-	137
Other Departmental Group bodies	2,161	1,469	692	-	-	666

The average number of whole time equivalent persons employed during the year by NHS Foundation Trusts, NHS Trusts and Primary Care Trusts (as set out in the table above) is analysed by employee type below.

	2012-13 Number			2011-12 Number		
	NHS Foundation Trusts	NHS Trusts	Primary Care Trusts	NHS Foundation Trusts	NHS Trusts	Primary Care Trusts
Medical and dental	58,085	47,695	732	55,916	49,577	1,299
Ambulance staff	9,589	18,310	1	6,862	22,802	75
Administration and estates	122,821	95,306	29,007	119,718	100,030	31,977
Healthcare assistants and other support staff	79,321	74,789	1,250	76,777	76,554	4,558
Nursing, midwifery and health visiting staff	199,812	149,899	3,387	197,153	154,491	8,119
Nursing, midwifery and health visiting learners	2,436	2,019	22	2,569	1,618	30
Scientific, therapeutic and technical staff	82,734	63,724	1,952	80,467	66,181	4,058
Social Care staff	2,034	1,383	58	2,554	307	231
Other	32,110	2,603	864	24,686	3,500	1,181
Total	588,942	455,728	37,273	566,702	475,060	51,528

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

The staff costs and staff numbers published in this Resource Account are not fully comparable. This is because certain types of staff are categorised differently between staff numbers and staff costs. Reported staff numbers must be consistent with those reported to the Office of National Statistics throughout the year, the categorisation of which is determined by statisticians and may not therefore fully correspond to associated accounting values.

Core Department

The £13.98 million decrease in staff costs attributable to Core Department Revenue Expenditure (£252.37 million compared to £266.35 million in 2011-12) results from the interaction of the following elements: (i) the implementation of a plan to reduce staffing costs and numbers on a permanent basis resulting in a reduction in the workforce (reduced from 4,064 WTE in 2011-12 to 3,874 WTE in 2012-13) primarily through natural turnover alongside the operation of efficient recruitment controls; and (ii) a continuing freeze on both SCS and non-SCS pay.

NHS Workforce

On the basis of financial year average whole time equivalent numbers as reported in the accounts of NHS organisations, the total number of staff employed within the NHS reduced during 2012-13 by 1%, from 1,097,181 to 1,085,627.

Strategic Health Authorities

Strategic Health Authorities remained statutory bodies throughout the 2012-13 financial year, being abolished under the Health and Social Care Act 2012 on 1 April 2013 as detailed in Note 32 *Events after the reporting period*. The average number of staff employed in the SHA sector reduced by 206 or 5% (from 3,890 to 3,684) compared to 2011-12. This modest decrease is principally because SHA staffing levels have been maintained throughout the year to manage close down activities across SHA areas, and to ensure the proper transfer of functions to successor organisations, most notably NHS England and Health Education England. Total staff costs in SHAs (excluding termination benefits) have reduced by £13,501,000 (from £256,312,000 to £242,811,000) or 5% in line with the reduction in staff numbers.

Primary Care Trusts

The average number of staff employed by PCTs decreased by 14,256 (or 28%) in 2012-13 to 37,273. This very significant reduction is a direct result of: (i) the transfer of functions under the "Transforming Comminity Services" initiative, under which large numbers of staff moved into NHS Foundation Trusts, NHS Trusts and a small number of community interest companies and social enterprises; and (ii) the planned commitment to reduce administration costs and staff numbers in advance of the abolition of PCTs on 1 April 2013. Total staff costs in PCTs (excluding termination benefits) have reduced by £431,271,000 (from £2,272,935,000 to £1,841,664,000) as a result of the reduction in staff numbers.

NHS Trusts

The average number of staff employed by NHS Trusts in 2012-13 decreased by 19,332 or 4% (from 475,060 to 455,728). A principal reason for this decrease has been the transfer of staff to NHS Foundation Trusts where NHS Trusts have achieved Foundation Trust status in-year, offset by the transfer of provider functions from Primary Care Trusts under the Transforming Community Services initiative. Total staff costs in NHS Trusts (excluding termination benefits) have reduced by £534,964,000 (from £19,756,110,000 to £19,221,145,000), however this is offset by the below mentioned increase in the NHS Foundation Trust sector.

NHS Foundation Trusts

The average number of staff employed by NHS Foundation Trusts in 2012-13 increased by 22,240, or 4%, (from 566,702 in 2011-12 to 588,942 in 2012-13). Two principal reasons for this increase are: (i) the transfer of provider functions from Primary Care Trusts; and (ii) the transfer of staff from NHS Trusts who have achieved Foundation Trust status in-year. Total staff costs in NHS Foundation Trusts (excluding termination benefits) have increased by £1,704,280,000 (from £22,906,160,000 to £24,610,440,000) principally as a result of the increase in staff numbers.

Arms Length Bodies

The average number of full time equivalent staff employed in the Department's Arms Length Bodies (Special Health Authorities and Non-Departmental Public Bodies) increased by 806, or 8% (from 10,326 in 2011-12 to 11,132 in 2012-13). This increase is largely due to the appointment 232 staff to NHS England which will play a pivotal role in NHS Commissioning from 2013-14 onwards, and of 92 in NICE, 77 in Monitor and 69 in the Health and Social Care Information Centre to reflect the extended roles for these organisations as set out in the Health & Social Care Act 2012.

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

Reporting of other compensation schemes

2012-13

Exit package cost band (including any special payment element)	Core Department					Departmental Group				
	*Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages	*Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
	Number	Number	Number	Number	£000s	Number	Number	Number	Number	£000s
<£10,000	-	1	1	-	-	1,886	1,637	3,523	23	144
£10,001 - £25,000	1	5	6	-	-	1,485	1,838	3,323	54	912
£25,001 - 50,000	3	11	14	-	-	1,316	1,289	2,605	22	781
£50,001 - £100,000	1	9	10	-	-	1,067	695	1,762	16	1,049
£100,001 - £150,000	-	6	6	-	-	375	178	553	3	206
£150,001 - £200,001	-	1	1	-	-	182	66	248	2	348
>£200,000	-	3	3	-	-	128	29	157	1	504
Total Number	**5**	**36**	**41**	**-**	**-**	**6,439**	**5,732**	**12,171**	**121**	**3,944**
Total Cost (£)	**192,846**	**3,185,324**	**3,378,170**			**271,060,876**	**173,861,912**	**444,922,788**		

2011-12

Exit package cost band (including any special payment element)	Core Department					Departmental Group				
	*Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages	*Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
	Number	Number	Number	Number	£000s	Number	Number	Number	Number	£000s
<£10,000	-	-	-	-	-	1,098	1,831	2,929	32	161
£10,001 - £25,000	-	1	1	-	-	1,002	1,774	2,775	43	551
£25,001 - 50,000	-	1	1	-	-	881	1,265	2,146	7	192
£50,001 - £100,000	1	1	2	-	-	670	683	1,353	10	566
£100,001 - £150,000	2	5	7	-	-	220	194	414	2	75
£150,001 - £200,001	-	2	2	-	-	79	44	123	0	0
>£200,000	-	3	3	-	-	51	40	91	4	1,130
Total Number	**3**	**13**	**16**	**-**	**-**	**4,001**	**5,831**	**9,831**	**98**	**2,675**
Total Cost (£)	**365,626**	**1,909,296**	**2,264,921**			**164,484,051**	**271,884,707**	**436,368,758**		

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

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

Principal Civil Service Pension Scheme (PCSPS)

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

For 2012-13, employers' contributions of £20,676,931 were payable to the PCSPS (2011-12: £22,237,894) at one of four rates in the range 16.7% to 24.3% (2011-12: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £109,738 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5%.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £8,172, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

1 individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,912.

NHS Pension Scheme

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

For 2012-13, employers' contributions were payable to the NHS Pension Scheme at the rate of 14% of pensionable pay. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The last review took effect from April 2008 with the employer contribution rate maintained at 14%. These costs are included in the NHS pension line of note 7.1.

Of the £4,154 million (2011-12: £4,104 million) against NHS pension costs in note 7.1, £165 million (2011-12 £220 million) is attributable to PCTs, £18 million (2011-12 £21 million) to SHAs, £1,710 million (2011-12 £1,782 million) to NHS Trusts and £2,218 million (2011-12 £2,074 million) to NHS Foundation Trusts.

Other Pension schemes

Within the Departmental Group, the Care Quality Commission and a number of Foundation Trusts account for defined benefit pension scheme assets and liabilities primarily in respect of local government superannuation schemes. These schemes are immaterial to the group account and therefore have not been disclosed separately within these financial statements. Full disclosures are available in the underlying bodies own published accounts.

8 Other administration costs

		2012-13 £'000		2011-12 £'000	
	Note	Core Department	Departmental Group	Core Department	Departmental Group
Rental Under Operating Leases	21.1	19,649	106,445	21,717	40,223
Interest Charges		15	40,486	(113)	35,522
PFI and other service concession arrangement service charges		-	-	-	-
Chair and non-executive Directors' costs		-	15,271	37	15,192
PCT Executive Committee member costs		-	23,910	-	16,846
Supplies and services - clinical (excluding Drugs)		-	-	-	10,624
Supplies and services - general		-	101,492	-	89,595
Goods and services from other NHS bodies		-	123	-	6,588
Multi Professional Education and Training (MPET)		-	11,162	-	-
G/PMS, APMS and PCTMS		-	7,096	-	14,343
Non GMS Services from GPs		-	18,154	-	16,130
Consultancy services		14,345	150,765	17,831	111,228
Establishment		35,400	224,046	39,163	217,434
Transport (Business Travel)		59	13,300	186	16,498
Premises		17,736	367,430	17,144	390,341
Non cash items					
Movement in provision for impairment of receivables		-	(2,718)	-	8,999
Depreciation on property, plant and equipment	11	12,176	143,317	12,815	172,119
Amortisation on intangible assets	12	10,092	35,231	10,897	39,859
Profit on disposal of property plant and equipment		-	(28)	-	-
Loss on disposal of property plant and equipment		951	3,001	4	8,686
Profit on disposal of intangible non current assets		-	-	-	-
Loss on disposal of intangible non current assets		-	66	-	931
Profit on disposal of Assets held for sale		-	(1,878)	-	-
Loss on disposal of Assets held for sale		-	43	-	-
Profit on disposal of financial asset investments		-	-	-	-
Loss on disposal of financial asset investments		-	-	-	-
Impairments and reversals of property, plant and equipment		1,377	5,439	252	413
Impairments and reversals of investment properties		-	-	-	-
Impairments and reversals of intangible assets		-	2,517	-	1,600
Impairments and reversals of financial assets		-	(5,984)	-	27,985
Impairments and reversals of non-current assets held for sale		-	(399)	-	-
Audit fees - non cash	a	807	897	848	933
Other non-cash		-	929	-	(1,339)
Inventories write off		-	-	-	-
Inventories revaluation		-	-	-	-
Inventories consumed		1	1	-	-

Legal fees	-	3,239	-	2,893
Audit fees - statutory audit	-	20,238	-	31,429
Other auditor's remuneration	-	3,536	-	5,581
Clinical negligence	-	3,528	-	3,377
Research and development	10,640	11,617	10,640	13,496
Education and training	1,690	33,667	1,601	62,658
Insurance	35	108	1	10
Grants to Local Authorities	-	-	-	-
Grants to Other bodies	2,626	2,857	-	10,642
Capital Grants	-	1,321	-	1,203
NHS Informatics Major Contracts Cost	7	7	7,991	7,991
Prior period adjustments in local accounts	-	-	-	-
Other	65,013	399,018	54,628	492,096
Sub total	**192,619**	**1,739,250**	**195,642**	**1,872,126**
Grant in Aid	227,053	-	143,689	-
Funding to Group Bodies	2,801,544	-	2,828,338	-
Total	**3,221,216**	**1,739,250**	**3,167,668**	**1,872,126**

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

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

	2012-13 £'000 Departmental Group	Restated 2011-12 £'000 Departmental Group
Other administration costs - non-cash items (Note 8)	180,433	260,187
Programme costs - non-cash items (Note 9)	18,438,228	14,834,731
Other non-cash amounts charged to operating expenditure	-	-
Less non-cash income: - income recognised in respect of Donated Assets	(74,361)	(66,044)
Total non-cash transactions	**18,544,300**	**15,028,874**
Movement in provision for impairment of receivables	(53,526)	(114,232)
Inventories revaluation	961	15,010
Inventories consumed	(6,704,957)	(5,707,647)
Inventories impairment and write off	(10,975)	(6,703)
Less non cash movements on SoFP balances analysed separately in the Cash Flow statement	**(6,768,495)**	**(5,813,572)**
Total non cash transactions as per Consolidated Statement of Cash flow	**11,775,804**	**9,215,302**

Footnote

1) General Medical Services,/Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.
2) The Core Department "Other" administration expenditure figure of £65.0 million includes £10.1 million of professional fees (£11.8 million in 2011-12), £12.4 million of policy payments (£15.2 million in 2011-12) and £35.4 million in respect of outsourcing contracts (£12.0 million in 2011-12).
3) A breakdown of the Departmental Group "Other" figure by sector is provided in Note 6.2 *Departmental Group Detail – Expenditure*.

9 Programme Costs

	Note	2012-13 £'000 Core Department	2012-13 £'000 Departmental Group	2011-12 £'000 Core Department	2011-12 £'000 Departmental Group
Rental Under Operating Leases					
Rentals Under Operating Leases	21.1	310	726,743	498	790,366
Interest charges		2,877	852,044	2,618	460,962
Chair and non-executive Directors' costs		-	25,651	-	24,872
PCT Executive Committee member costs		-	124	-	315
Supplies and services - clinical (excluding Drugs)		-	4,740,928	-	4,433,634
Supplies and services - general		-	1,402,330	-	1,355,723
Goods and services from other NHS bodies		-	18,534	-	22,728
Purchase of healthcare from non NHS bodies		-	9,190,771	-	8,674,886
Purchase of Social Care from Independent Providers		-	139,966	-	190,565
Expenditure on Drug Action Teams		-	403,560	-	373,025
General Dental Services (GDS) and Personal Dental Services (PDS)[1]		-	2,843,691	-	2,812,681
Multi Professional Education and Training (MPET)		-	1,152,082	-	1,121,804
Prescribing Costs		-	7,886,973	-	8,243,469
Pharmaceutical Services[2]		-	2,183,801	-	2,139,334
General Ophthalmic Services		-	492,565	-	490,440
G/PMS, APMS and PCTMS[3]		-	7,544,660	-	7,455,962
Non GMS Services from GPs		-	162,265	-	166,844
Consultancy services		13,163	456,425	368	362,003
Establishment		115,556	1,147,541	98,810	1,102,500
Transport (Business Travel)		5	505,705	-	512,371
Premises		726	3,356,152	1,958	3,178,586
Legal fees		-	51,133	-	45,074
Non cash items					
Movement in provision for impairment of receivables		(109)	56,244	(1,208)	105,233
Depreciation on property, plant and equipment	11	50,016	2,378,729	93,189	2,224,618
Amortisation on intangible assets	12	471,099	574,317	547,011	631,884
Profit on disposal of property plant and equipment		(1,703)	(13,631)	(1,224)	(27,017)
Loss on disposal of property plant and equipment		28,730	58,545	9,502	17,741
Profit on disposal of intangible non current assets		-	73	-	-
Loss on disposal of intangible non current assets		9,394	11,757	20	841
Profit on disposal of Assets held for sale		-	(12,556)	-	(2,793)
Loss on disposal of Assets held for sale		-	1,746	-	404
Profit on disposal of financial asset investments		-	(15)	-	(2,346)
Loss on disposal of financial asset investments		-	1	-	-
Impairments and reversals of property, plant and equipment		28,765	1,292,784	36,635	1,333,143
Impairments and reversals of investment properties		-	(952)	-	175
Impairments and reversals of intangible assets		6,625	53,750	43,590	54,160
Impairments and reversals of financial assets investments		318	492	2,247	3,168
Impairments and reversals of non-current assets held for sale		-	15,033	-	29,109
Audit fees - non cash		-	-	-	-
Non-cash expenditure from movement in pension liability		-	-	-	-
Provision provided for in year - EEA	20	511,577	511,577	613,751	613,751
Provision provided for in year - Clinical Negligence	20	-	3,913,827	-	3,261,763
Provision provided for in year - Injury Benefit	20	55,190	55,190	31,674	31,674
Provision provided for in year - Other	20	83	1,135,842	132,218	812,037
Unwinding of discount on provisions	20	36,465	95,946	32,713	47,930
Change in discount rate	20	146,694	1,572,211	-	-
Other non-cash Expenditure		15,082	22,350	(84)	(84)
Inventories write off	14	4,878	10,975	1,048	6,703
Inventories revaluation	14	(961)	(961)	(15,010)	(15,010)

Programme Costs Note continued	Note	2012-13 £'000 Core Department	2012-13 £'000 Departmental Group	2011-12 £'000 Core Department	2011-12 £'000 Departmental Group
Inventories consumed		187,872	6,704,955	205,576	5,707,647
Audit fees - statutory audit (cash)[4]		-	24,588	-	31,192
Other auditor's remuneration		-	11,406	-	11,372
Clinical negligence		-	55,960	-	34,288
Research and development		933,031	1,131,095	904,018	1,051,806
Education and training		(75)	359,409	858	322,902
Insurance		32	20,975	85	17,656
Grants to Local Authorities		1,383,352	1,383,352	1,346,195	1,346,195
Grants to Other bodies		208,574	322,213	234,874	394,005
Capital Grants		286,804	374,475	237,484	295,745
NHS Informatics Major Contracts Cost		412,859	412,859	445,556	445,556
PDC Dividend Payable		-	-	-	-
Prior period adjustments in local accounts		-	14,090	-	-
Other[5]		771,889	497,049	664,931	918,170
Sub total		**5,679,118**	**68,329,344**	**5,669,901**	**63,661,762**
Grant in Aid		103,776	-	98,460	-
Funding to Group Bodies		96,984,770	-	94,820,215	-
Total		**102,767,664**	**68,329,344**	**100,588,576**	**63,661,762**

Footnotes

1) General Dental Services (GDS) and Personal Dental Services (PDS) are alternative models for dental care.

2) Pharmaceutical Services includes Local Pharmaceutical Services Pilots and the New Pharmacy Contract.

3) General/Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.

4) The audit fee represents the programme cost for the audit of the underlying financial statements of consolidated bodies. With the exception of NHS Foundation Trusts, consolidated bodies are audited by the Comptroller and Auditor General (Arms Length Bodies and Special Health Authorities) or an Audit Commission appointed auditor (NHS Trusts, Primary Care Trusts and Strategic Health Authorities) and include expenditure in respect of audit fees in their individual accounts. The accounts of NHS Foundation Trusts are audited by auditors appointed by their board of governors and also include expenditure in respect of audit fees.

5) The Core Department "Other" programme expenditure figure of £771.9 million includes £142.6 million of policy payments (£40.1 million in 2011-12) and £240.1 million in respect of outsourcing contracts (£242.0 million in 2011-12).

6) A breakdown of the Departmental Group "Other" figure by sector is provided in Note 6.2 *Departmental Group Detail – Expenditure.*

7) Core Department expenditure figures may be greater than those of the Departmental Group due to the elimination of intercompany trading.

8) NHS bodies categorise the expenditure associated with provisions arising to the category to which it best relates. The Department reallocates these amounts to the Provisions Provided for In year categories via central consolidation adjustments. In 2012-13 £659 million of continuing care provisions were reallocated from "Purchase of Health care from Non NHS bodies" to "Provisions provided for in year – other". This represented a refinement to the Department's reallocation methodology, as such provisions were reallocated from "Other expenditure" in prior years.

9) NHS Foundation Trusts categorise the expenditure associated with inventories consumed to the categories to which it best relates. The Department reallocates these amounts to Inventories consumed via central consolidation adjustments. From 2012-13, the reallocation methodology has been refined with £1.5 billion of inventories consumed being re-categorised from "Other Expenditure" rather than "Supplies and Services Clinical" as in prior years.

10) In previous years, the interest charges associated with NHS FTs were included in the other expenditure line. From 2012-13 they have been re-categorised as interest charges to better to reflect the nature of the transactions, the significant increase in interest charges is predominately due to this re-categorisation.

10 Income

10.1 Administration Income

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Administration Income:				
Income from Local Authorities	-	11,098	-	14,976
Sale of Goods and Services	15,694	17,390	8,241	8,815
Income in respect of EEA claims	-	-	-	-
Other Non Trading Income				
Other Fees and Charges	-	78,416	-	9,048
Education, training and research	-	1,553	-	1,924
Other non-NHS patient care services	-	1,451	-	659
Charitable and other contributions to expenditure	-	-	-	883
Non-patient care services to other bodies	-	270	-	1,656
Rental revenue from finance leases	-	7	-	-
Rental revenue from operating leases	4,988	21,301	3,115	17,519
Interest from Overseas	-	-	-	-
Interest and investment income	-	2,215	-	2,176
Dividends	-	-	-	-
Unw inding of discount on receivables	-	-	-	-
Prior period adjustments in local accounts	-	-	-	-
Income in respect of Staff Costs	-	29,288	-	15,296
Other	4,528	59,593	1,157	203,543
Non cash income	-	194	-	-
Total Administration Income	**25,210**	**222,776**	**12,513**	**276,495**

10.2 Programme Income

	2012-13 £'000		Restated 2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Revenue from Patient Care activities				
Income from Local authorities	-	677,445	-	550,331
Income from Private patients	-	478,761	-	454,062
Income from Overseas patients (non-reciprocal)	-	39,932	-	32,714
Income from Injury costs recovery	-	209,022	-	221,719
Income in respect of EEA claims	52,079	52,079	36,216	36,216
Sale of Goods and Services	42,664	837,324	34,221	943,381
Other Non Trading Income				
Prescription Pricing Regulation Scheme	76,212	76,212	65,316	65,316
Prescription Fees and Charges	-	449,550	-	426,095
Dental Fees and Charges	-	653,006	-	637,121
Other Fees and Charges	-	290,981	-	257,059
PDC Dividend	805,837	-	846,102	-
Patient transport services	-	107	-	1,736
Education, training and research	-	338,480	-	164,607
Other non-NHS patient care services	-	191,374	-	226,918
Charitable and other contributions to expenditure	-	76,197	-	73,135
Receipt of donations for capital acquisitions	-	41,721	-	62,633
Receipt of grants for capital acquisitions	-	23,492	-	3,411
Non-patient care services to other bodies	-	353,894	-	296,874
Rental revenue from finance leases	-	4,570	-	2,877
Rental revenue from operating leases	194	184,892	432	148,288
Interest from Overseas	1,775	1,775	1,931	1,931
Interest and investment income	20,560	66,494	28,036	70,819
Interest Receivable on NHS Trust Loans	7,009	-	10,428	-
Interest Receivable NHS Capital Loans (LT)	17,081	-	16,771	-
Interest Receivable FT Financing Facility Loans	35,352	-	31,995	-
Dividends	3,094	3,094	2,271	2,271
Amortisation of PFI deferred credits				
- Main scheme	-	569	-	828
- Additional lifecycle assets received	-	-	-	-
Unwinding of discount on receivables	2,894	2,894	3,158	3,158
Prior period adjustments in local accounts	-	(7,364)	-	-
Income in respect of Staff Costs	-	104,867	-	90,887
Other	41,872	1,252,581	37,059	1,182,977
Non cash income	-	2,490	-	-
Total Programme Income	**1,106,623**	**6,406,439**	**1,113,936**	**5,957,364**
Total Income	1,131,833	6,629,215	1,126,449	6,233,859

Footnote
1) The Core Department "Other" programme income figure of £41.87 million includes £21.57 million of Welfare Foods income (£21.52 million in 2011-12).
2) A breakdown of the Departmental Group "Other" figure by sector is provided in Note 6.3 *Departmental Group Detail – Income*.

10.3 Fees and Charges

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

	2011-12 Departmental Group		
	Fees and Charges Income £'000	Full Cost of Service £'000	Suplus/(Deficit) £'000
Dental	637,121	2,812,681	(2,175,560)
Prescription	426,095	8,243,469	(7,817,374)
Other Fees and Charges for which the cost of providing the service is over £1million	96,023	137,219	(41,196)
Total	1,159,239	11,193,369	(10,034,130)

The fees and charges information in this note is provided in accordance with section 5.4.28 of the HM Treasury FReM. It is provided for fees and charges purposes and not for IFRS 8 purposes. The Core Department does not provide services for which a fee is charged, therefore all disclosures relate to consolidated bodies. Primary Care Trusts receive income in respect of Prescription and Dental charges to patients. The financial objective of Prescription and Dental charges is to collect charges only from those patients that are eligible to pay. Other fees and charges for which the cost of providing the service is over £1 million, relate to services provided by Arms Length Bodies and Special Health Authorities. A significant proportion of this income (£93.01 million (2011-12: £85.99 million) and expenditure £134.57 million (2011-12: £128.09 million)) relates to Regulatory income at the Care Quality Commission.

Further information relating to fees and charges, can be obtained from the financial statements of underlying bodies.

11 Property, plant and equipment

2012-13
£'000

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2012	**7,794,713**	**37,653,506**	**430,700**	**3,739,657**	**1,402,366**	**777,735**	**8,028,745**	**440,464**	**822,763**	**61,090,649**
Prior period adjustments in underlying accounts	52,928	(342,725)	(4,934)	(15,662)	(35,943)	(1,227)	(13,848)	69	-	(361,342)
Additions - purchased	34,074	1,069,155	3,307	312,335	1,466,835	41,303	393,105	22,185	66,277	3,408,576
Additions - donated	560	23,946	46	2,329	6,739	1,210	40,292	320	-	75,442
Additions - finance leased	4,085	95,293	-	7,380	-	163	25,001	-	-	131,922
Impairment transferred to Revaluation Reserve	(177,132)	(658,481)	(12,992)	(556)	(334)	(792)	(2,480)	(2)	-	(852,769)
Impairment transferred to the CSCNE	(1,576)	(1,675)	-	-	(42,276)	-	(49)	(9)	(29,186)	(74,771)
Impairment reversals	7,438	56,387	2,346	-	1,315	65	174	-	706	68,431
Transfers under absorption accounting	1,331	(8,428)	(13)	(398)	(213)	(300)	1,101	(1)	-	(6,921)
Transfers other than absorption accounting	-	-	-	3,607	-	-	-	-	(1,006)	2,601
Reclassifications to assets held for sale	(107,279)	(54,729)	(6,247)	(6,920)	-	(1,444)	(6,880)	(11,273)	-	(194,772)
Other Reclassifications	1,963	1,023,928	3,534	44,444	(1,332,787)	13,450	152,577	25,932	-	(66,959)
Revaluation and indexation	127,753	(525,956)	7,631	1,805	(539)	4,400	15,352	83	5,419	(364,052)
Disposals	(35,028)	(446,943)	(9,034)	(303,493)	(9,567)	(55,408)	(421,802)	(33,041)	(33,524)	(1,347,840)
At 31 March 2013	**7,703,830**	**37,883,278**	**414,344**	**3,784,528**	**1,455,596**	**779,155**	**8,211,288**	**444,727**	**831,449**	**61,508,195**
Depreciation										
At 1 April 2012	**114,813**	**4,327,462**	**44,055**	**2,564,003**	**-**	**464,908**	**5,042,996**	**266,187**	**-**	**12,824,424**
Prior period adjustments in underlying accounts	46,192	(332,406)	(3,520)	(13,952)	-	(1,353)	(10,531)	150	-	(315,420)
Charged in year	894	1,322,344	14,126	414,810	-	61,848	659,897	48,123	-	2,522,042
Impairment transferred to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment transferred to the CSCNE	71,359	1,230,150	18,283	34,594	-	7,016	15,606	717	-	1,377,725
Impairment reversals	(7,609)	(142,130)	(1,173)	(620)	-	(319)	(475)	(16)	-	(152,342)
Transfers under absorption accounting	1,331	(8,635)	(12)	(253)	-	(68)	868	4	-	(6,765)
Transfers other than absorption accounting	-	-	-	2,109	-	-	-	-	-	2,109
Reclassifications to assets held for sale	(1,057)	(10,968)	(200)	(4,890)	-	(194)	(4,043)	(11,009)	-	(32,361)
Other Reclassifications	64	14,827	(196)	(55,215)	-	(3,853)	(6,566)	1,360	-	(49,579)
Revaluation and indexation	(56,481)	(917,562)	(6,922)	1,038	-	288	8,639	71	-	(970,929)
Disposals	(15,536)	(416,323)	(4,117)	(293,938)	-	(53,732)	(399,823)	(30,029)	-	(1,213,498)
At 31 March 2013	**153,970**	**5,066,759**	**60,324**	**2,647,686**	**-**	**474,541**	**5,306,568**	**275,558**	**-**	**13,985,406**
At 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**
At 31 March 2012	7,679,900	33,326,044	386,645	175,654	1402,366	312,827	2,985,749	174,277	822,763	48,266,225
Asset financing:										
Owned - purchased	7,265,076	22,270,286	277,287	1,111,092	1,408,437	287,531	2,458,694	165,332	831,449	36,075,184
Owned - donated	94,306	687,399	7,485	9,599	27,136	10,705	169,887	787	-	1,007,304
Finance Lease	71,121	231,168	45,400	13,921	1,416	1,673	155,250	3,050	-	522,999
On-Statement of Financial Position PFI contracts	116,357	9,610,468	23,848	2,230	18,607	4,705	120,889	-	-	9,897,104
PFI residual interests	3,000	17,198	-	-	-	-	-	-	-	20,198
Net book value at 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**

Analysis of property, plant and equipment

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core Department (excluding DH Informatics Directorate)	97,104	91,166	-	23,151	3,158	8,382	36,286	-	831,449	1,090,696
DH Informatics Directorate	435	1,299	-	75,732	-	187	-	-	-	77,653
Primary Care Trusts	1,664,958	5,247,273	16,897	221,979	109,995	65,765	102,509	3,267	-	7,432,643
Strategic Health Authorities	584	1,149	-	627	-	627	-	-	-	2,987
NHS Trusts	2,618,026	11,891,787	138,163	376,180	564,382	104,989	1,258,229	76,448	-	17,028,204
NHS Foundation Trusts	3,136,304	15,379,073	198,960	418,400	747,763	115,204	1,470,096	89,454	-	21,555,256
Special Health Authorities	3,734	14,128	-	10,571	-	7,484	392	-	-	36,309
Non Departmental Public Bodies	28,715	190,644	-	10,202	30,298	1,976	37,194	-	-	299,029
Other	-	-	-	-	-	-	12	-	-	12
Net book value at 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**

Footnotes

1) Stockpiled goods are not depreciated, as agreed with HM Treasury.
2) DH Informatics Directorate is responsible for implementing major IT programmes in the NHS. Whilst it is not a separate entity, its figures are separately disclosed due to their significance in relation to the Department as a whole.

Prior Year

2011-12 £'000

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2011	**8,070,212**	**36,872,096**	**488,817**	**3,364,399**	**1,551,107**	**804,871**	**7,934,094**	**432,827**	**830,229**	**59,338,652**
Opening balance adjustment	(27,730)	(576,972)	1,320	2,570	1	1,122	(1,151)	173	-	(600,667)
Adjustment for transfer of functions	1	-	-	(10,143)	-	(3,388)	(7,466)	303	-	(20,693)
Restated balance as at 1 April 2011	**8,042,483**	**36,296,124**	**490,137**	**3,346,826**	**1,551,108**	**802,605**	**7,925,477**	**433,303**	**830,229**	**58,717,292**
Additions - purchased	51,622	2,428,203	3,090	269,218	1,336,608	39,264	440,091	21,315	84,274	4,673,685
Additions - donated	-	16,850	-	1,606	83,535	948	51,902	282	-	155,123
Impairment transferred to Revaluation Reserve	(141,769)	(505,549)	(19,592)	(511)	(1,945)	(413)	(1,260)	-	-	(671,039)
Impairment transferred to the CSCNE	(195)	(184)	-	-	(56,981)	(19)	(9,658)	-	(28,072)	(95,109)
Impairment reversals	(58,453)	124,993	380	63	58	410	607	(2)	-	68,056
Transfers	(7,950)	(18,462)	-	901	(19,715)	(26,159)	8,010	26	(56,564)	(119,913)
Reclassifications to assets held for sale	(135,993)	(125,266)	(16,416)	(19,633)	(438)	(9,811)	(48,189)	(11,347)	-	(367,093)
Reclassifications	7,037	1,210,645	(6,099)	318,661	(1,487,568)	6,446	117,193	39,320	-	205,635
Revaluation and indexation	101,191	209,401	6,534	(3,903)	(762)	135	(11,579)	129	4,519	305,665
Cumulative depreciation netted off cost on revaluation	(26,657)	(805,435)	(10,878)	(7,241)	-	(2,619)	(1,835)	-	-	(854,665)
Disposals	(36,603)	(176,814)	(16,456)	(166,330)	(1,534)	(33,052)	(442,014)	(42,562)	(11,623)	(926,988)
At 31 March 2012	**7,794,713**	**37,653,606**	**430,700**	**3,739,667**	**1,402,366**	**777,735**	**8,028,746**	**440,464**	**822,763**	**61,090,649**
Depreciation										
At 1 April 2011	**150,346**	**4,046,692**	**49,192**	**2,125,830**	**-**	**443,419**	**4,898,127**	**262,919**	**-**	**11,966,625**
Opening balance adjustment	(26,706)	(580,214)	1,826	2,986	-	1,127	(1,773)	180	-	(602,574)
Adjustment for transfer of functions	-	-	-	(5,447)	-	(2,065)	(5,453)	247	-	(12,718)
Restated balance as at 1 April 2011	**123,640**	**3,466,478**	**51,018**	**2,123,369**	**-**	**442,481**	**4,890,901**	**263,346**	**-**	**11,351,233**
Charged in year	545	1,162,531	16,154	459,693	-	63,083	645,616	49,115	-	2,396,737
Impairment transferred to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment transferred to the CSCNE	127,525	1,425,446	8,417	5,780	-	6,893	18,116	3	-	1,592,180
Impairment reversals	(76,184)	(273,671)	(3,498)	-	-	(3)	(378)	-	-	(353,734)
Transfers	-	(446)	-	165	-	(1,678)	(3)	-	-	(1,962)
Reclassifications to assets held for sale	(639)	(22,810)	(1,236)	(17,262)	-	(9,847)	(45,536)	(11,369)	-	(108,699)
Reclassifications	(912)	(8,645)	(365)	163,499	-	(91)	(12,965)	7,785	-	148,306
Revaluation and indexation	(32,070)	(476,735)	(7,951)	(4,290)	-	(2,174)	(22,451)	75	-	(545,596)
Cumulative depreciation netted off cost on revaluation	(26,657)	(805,435)	(10,878)	(7,241)	-	(2,619)	(1,835)	-	-	(854,665)
Disposals	(435)	(139,251)	(7,606)	(159,710)	-	(31,137)	(428,469)	(32,768)	-	(799,376)
At 31 March 2012	**114,513**	**4,327,462**	**44,055**	**2,564,003**	**-**	**464,908**	**5,042,996**	**266,187**	**-**	**12,824,424**
Net Book Value At 31 March 2012	**7,679,900**	**33,326,044**	**386,645**	**1,175,664**	**1,402,366**	**312,827**	**2,985,749**	**174,277**	**822,763**	**48,266,225**
At 31 March 2011	7,919,866	31825,404	439,625	1228,569	1551107	361452	3,035,967	170,908	830,229	47,372,127
Asset financing:										
Owned	7,404,477	22,762,023	317,363	1,156,348	1,335,085	300,231	2,516,260	165,108	822,763	36,779,658
Donated	90,581	657,584	1,389	8,646	38,469	7,242	168,653	662	-	973,226
Finance Lease	64,326	267,029	43,880	7,735	1,296	2,207	165,376	8,507	-	560,356
On-Statement of Financial Position PFI contracts	117,516	9,606,946	19,448	2,925	27,516	3,147	135,460	-	-	9,912,958
PFI residual interests	3,000	32,462	4,565	-	-	-	-	-	-	40,027
Net Book Value At 31 March 2012	**7,679,900**	**33,326,044**	**386,645**	**1,175,664**	**1,402,366**	**312,827**	**2,985,749**	**174,277**	**822,763**	**48,266,225**

Analysis of property, plant and equipment

Of the total:	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core Department (excluding DH Informatics Directorate)	101,903	88,506	-	17,527	-	8,035	43,397	-	822,763	1,082,131
DH Informatics Directorate	435	1,357	-	112,803	-	278	-	-	-	114,873
Primary Care Trusts	1,701,833	5,161,636	18,632	245,060	142,214	77,033	130,764	4,278	-	7,481,450
Strategic Health Authorities	8,723	5,172	-	1,049	-	1,234	13	-	-	16,191
NHS Trusts	2,748,542	12,589,324	165,301	395,655	508,883	107,811	1,339,123	92,507	-	17,947,146
NHS Foundation Trusts	3,085,155	15,287,107	202,712	387,899	726,910	107,446	1,433,023	77,470	-	21,307,722
Special Health Authorities	5,084	13,568	-	8,277	-	4,509	627	22	-	32,087
Non Departmental Public Bodies	28,225	179,374	-	7,384	24,359	6,481	38,788	-	-	284,611
Other	-	-	-	-	-	-	14	-	-	14
Net Book Value At 31 March 2012	**7,679,900**	**33,326,044**	**386,645**	**1,175,664**	**1,402,366**	**312,827**	**2,985,749**	**174,277**	**822,763**	**48,266,225**

Revaluation Reserve surplus in respect of Core Department PPE assets

	£'000
As at 1 April 2012	117,533
Movement in year	4,254
As at 31 March 2013	**121,787**

Property has been valued as follows:

- The Civil Estate (land and buildings held for use by the core Department) was valued on 1 September 2010 by independent valuers employed by the Department. Since then, Investment Property Databank indices have been applied, as appropriate, to uplift values as at the year end using the IAS 16 revaluation model methodology.
- Land and buildings held by NHS bodies were valued, by independent valuers, to a modern equivalent basis as required by HM Treasury, during either 2008-09 or 2009-10.
- All valuations have been undertaken according to Royal Institute of Chartered Surveyors (RICS) guidelines.
- The Retained Estate comprises land and buildings which were primarily intended for use by NHS bodies but which are now surplus to requirements and are therefore held by the Department. The Retained Estate was revalued by professional valuers as at 31 March 2010. Additional valuations were carried out as necessary in circumstances where there were indications that values had substantially changed.

The ranges of estimated useful lives are currently:

- Buildings and dwellings: 1 - 188 years
- Transport equipment: 1 - 21 years
- Information technology: 1 - 34 years
- Plant and machinery: 1 - 70 years
- Furniture and fittings: 1 - 56 years

Explanation of material impairments in the Core Department

The Core Department recognised impairments to 31 March 2013 of £30.1 million. These include impairments of £12.0 million relating to pandemic flu stockpiled goods where these have reached the end of their shelf life and £17.1 million relating to essential medicines stockpiled goods which were impaired due to a change in market price.

11.1 Investment Property

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Carrying Value at 1 April 2012	**263**	**66,549**	**338**	**64,807**
Prior period adjustments in underlying accounts	-	-	-	-
At start of period for new NHS Foundation Trusts	-	-	-	-
Additions	-	336	-	990
Reclassifications from PPE	-	-	-	-
Revaluations	-	4	-	579
Impairment	-	(602)	(3)	172
Impairment reversals	-	1,554	-	-
Transfers to assets held for sale	(3)	(328)	(72)	(2,916)
Transfers under absorption accounting	-	-	-	-
Transfers other than absorption accounting	-	-	-	-
Other changes	-	86	-	2,917
Carrying Value at 31 March 2013	260	67,599	263	66,549

11.2 Investment property income and expenditure

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Investment Property income	-	3,500	-	3,281
Direct operating expenses arising from investment property that:				
a) generated rental income during the period	-	-	-	-
b) did not generate rental income during the period	-	-	-	-

Investment property within the Departmental Group is measured at fair value. Core Department investment property assets are valued on the same basis as property, plant and equipment assets: i.e. they are initially measured at cost and subsequently measured at fair value (see Note 1.15 for further details).

The majority of investment properties within the Departmental Group (£60.0 million as at 31 March 2013 (2011-12; £58.9m)) are held by NHS Foundation Trusts. Where relevant/significant, the following information is disclosed in the underlying accounts of the consolidated bodies holding investment properties:

- The methods and significant assumptions applied in determining the fair value of investment property, including information on whether the determination of fair value was supported by market evidence or was more heavily based on other factors because of the nature of the property and lack of comparable data.
- The extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact will be disclosed.
- The existence and number of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. No such restrictions exist in respect of Core Department investment property.
- Contractual obligations to purchase, conduct or develop investment property, or in relation to repairs, maintenance or enhancements to that property. The Core Department has no such contractual obligations.

In respect of the Core Department, the amounts recognised in the CSCNE for: a) rental income from investment property; and b) direct operating expenses (including repairs and maintenance) arising from investment property, are insignificant and are not therefore separately disclosed in the income and expenditure notes.

12 Intangible Non-Current Assets

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

				2012-13 £'000
	Software Licences and Internally Developed Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	**3,422,649**	**179,780**	**76,449**	**3,678,878**
Prior period adjustments in underlying accounts	4,534	2,029	24,649	31,212
Additions - purchased	348,951	35,249	42,364	426,564
Additions - donated	1,049	-	155	1,204
Additions - finance leased	696	-	-	696
Impairment transferred to Revaluation Reserve	3	-	(139)	(136)
Impairment transferred to the CSCNE	(11,699)	(233)	-	(11,932)
Impairment reversals	-	-	-	-
Transfers under absorption accounting	744	(762)	-	(18)
Transfers other than absorption accounting	564	-	-	564
Reclassification to assets held for sale	(896)	-	-	(896)
Other Reclassifications	129,593	(11,429)	(49,634)	68,530
Revaluation and indexation	19,026	2,802	(248)	21,580
Disposals	(160,762)	(22,007)	(1,176)	(183,945)
Other Movements	490,739	-	-	490,739
At 31 March 2013	**4,245,191**	**185,429**	**92,420**	**4,523,040**
Amortisation				
At 1 April 2012	**1,563,126**	**81,412**	**9,883**	**1,654,421**
Prior period adjustments in underlying accounts	2,868	1,712	133	4,713
Charged in year	579,213	27,577	2,756	609,546
Impairment transferred to Revaluation Reserve	-	-	-	-
Impairment transferred to the CSCNE	28,076	487	15,836	44,399
Impairment reversals	(42)	(22)	-	(64)
Transfers under absorption accounting	190	(344)	-	(154)
Transfers other than absorption accounting	451	-	-	451
Reclassification to assets held for sale	(605)	-	-	(605)
Other Reclassifications	53,800	16	(2,636)	51,180
Revaluation and indexation	(6,464)	640	(248)	(6,072)
Disposals	(147,919)	(19,789)	(478)	(168,186)
Other Movements	536,826	-	-	536,826
At 31 March 2013	**2,609,520**	**91,689**	**25,246**	**2,726,455**
Net book value at 31 March 2013	**1,635,671**	**93,740**	**67,174**	**1,796,585**
Net Book Value At 31 March 2012	1,859,523	98,368	66,566	2,024,457

	Software Licences and Internally Developed Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Department (excluding NHS Informatics)	147,706	-	-	147,706
NHS Informatics[1]	1,166,639	-	-	1,166,639
Primary Care Trusts	19,118	1,227	723	21,068
Strategic Health Authorities	285	-	-	285
NHS Trusts	125,857	7,109	4,249	137,215
NHS Foundation Trusts	141,378	48,701	49,111	239,190
Special Health Authorities	27,692	17,255	12,701	57,648
Non Departmental Public Bodies	6,996	19,448	390	26,834
Other	-	-	-	-
Net book value at 31 March 2013	**1,635,671**	**93,740**	**67,174**	**1,796,585**

Footnote

1) DH Informatics Directorate is responsible for implementing major IT programmes in the NHS. Whilst it is not a separate entity, its figures are separately disclosed due to their significance in relation to the Department as a whole.

2) Included within the total value for Software Licences and Internally Developed Software, £16.2 million (net book value) relates to internally developed software for the Core Department.

3) The "Other movements" lines for both cost and amortisation include an adjustment to correct a Core Department prior year disposal, where a £490.7 million nil net book value asset was disposed of in error. As the asset was amortised to nil net book value prior to its disposal, this error, and its subsequent correction, has nil impact on the overall asset value. The "Other movements" line in the amortisation section of the note also contains a £46.1 million correction of a prior year Core Department error. The correction increases the amortisation balance and decreases the balance on the Department's revaluation reserve.

Prior Year

				2011-12 £'000
	Software Licences and Internally Developed Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2011	3,793,753	154,712	57,755	4,006,220
Opening balance adjustment	(739)	(1)	(1)	(741)
Adjustment for transfer of functions	(640)	-	-	(640)
Restated balance as at 1 April 2011	**3,792,374**	**154,711**	**57,754**	**4,004,839**
Additions - purchased	365,604	28,173	36,151	429,928
Additions - donated	342	-	1,264	1,606
Additions - Government granted	-	328	94	422
Impairment transferred to Revaluation Reserve	(718)	(161)	-	(879)
Impairment transferred to the CSCNE	(97,265)	(14,066)	-	(111,331)
Impairment reversal	-	-	-	-
Transfers	1,618	413	609	2,640
Reclassification to assets held for sale	(576)	-	(773)	(1,349)
Other Reclassifications	(365,713)	19,067	(17,871)	(364,517)
Revaluation and indexation	415,095	(39)	-	415,056
Disposals	(688,112)	(8,646)	(779)	(697,537)
At 31 March 2012	**3,422,649**	**179,780**	**76,449**	**3,678,878**
Amortisation				
At 1 April 2011	2,026,698	69,350	5,288	2,101,336
Opening balance adjustment	(741)	-	-	(741)
Adjustment for transfer of functions	(218)	-	-	(218)
Restated balance as at 1 April 2011	**2,025,739**	**69,350**	**5,288**	**2,100,377**
Charged in year	644,224	24,999	2,520	671,743
Impairment transferred to Revaluation Reserve	-	-	-	-
Impairment transferred to the CSCNE	(52,234)	(5,893)	2,559	(55,568)
Impairment reversal	(2)	-	-	(2)
Transfers	(1,061)	(843)	-	(1,904)
Reclassification to assets held for sale	(342)	-	(460)	(802)
Other Reclassification	(248,367)	134	153	(248,080)
Revaluation and indexation	(118,597)	(53)	-	(118,650)
Disposals	(686,234)	(6,282)	(177)	(692,693)
At 31 March 2012	**1,563,126**	**81,412**	**9,883**	**1,654,421**
Net Book Value At 31 March 2012	**1,859,523**	**98,368**	**66,566**	**2,024,457**
Net book value at 31 March 2011	1,767,055	85,362	52,467	1,904,884

	Software Licences and Internally Developed Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Department (excluding NHS Informatics)	388,432	-	-	388,432
NHS Informatics[1]	1,201,043	-	-	1,201,043
Primary Care Trusts	22,849	1,397	867	25,113
Strategic Health Authorities	423	-	-	423
NHS Trusts	95,739	23,173	19,370	138,282
NHS Foundation Trusts	113,558	42,973	41,533	198,064
Special Health Authorities	28,559	15,503	4,796	48,858
Non Departmental Public Bodies	8,920	15,322	-	24,242
Other	-	-	-	-
Net Book Value At 31 March 2012	**1,859,523**	**98,368**	**66,566**	**2,024,457**

Net book value of intangible assets in the Revaluation Reserve

	£'000
At 1 April 2012	581,086
Movement in year	(4,668)
At 31 March 2013	576,418

The ranges of estimated useful lives are currently:

- Software licences and Internally Developed Software: 1 - 20 years
- Development expenditure: 1 - 25 years
- Other (licences and trademarks, patents, purchased software etc): 1 - 15 years

The Department revalues intangible non-current assets associated with DH Informatics Directorate programmes at the end of each financial year, by indexing their original cost. Given the very significant value of these assets, the Department applies the difference between the Retail Price Index (RPI) operating in the month of purchase and the RPI at the end of the year. RPI is considered the most appropriate measure of indexation to use with this group of assets, as no other indexation factor is available that more accurately reflects the commercial environment in the computer services sector, or would not be compromised by the high value of the assets. This valuation method is reviewed annually to ascertain whether RPI remains the most appropriate index to use.

The effective date of revaluation for DH Informatics Directorate non-current assets is 31 March 2013.

DH Informatics Directorate non-current assets (whether classified as property, plant and equipment or intangible assets) are not added to the Department's Non-Current Asset Register until confirmation has been received from the appropriate NHS organisation that the relevant system has been deployed successfully.

13 Financial Assets – Investments

	2012-13 £'000								2012-13 £'000			
	Core Department								Departmental Group			
	NHS Trusts PDC	NHS Trusts Loans	NHS Foundation Trusts PDC	NHS Foundation Trusts Loans	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital	Total	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital and Other Investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**11,314,087**	**628,176**	**12,239,280**	**924,788**	**1,328**	**664,778**	**361,700**	**26,924,137**	**1,328**	**932,143**	**370,967**	**1,304,438**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	104	(1)	103
Issued:												
To newly established bodies	159,755	-	-	-	-	-	-	159,755	-	2,595	-	2,595
To existing bodies	337,395	119,598	187,910	260,391	-	3,294	15,000	923,588	-	3,294	56,693	59,987
Repaid:												
By continuing bodies	(58,860)	(42,535)	(1,657)	(5,854)	-	(25,951)	-	(134,857)	-	(26,802)	-	(26,802)
Written off:												
By or on behalf of dissolved bodies	(528,877)	-	-	-	-	(43)	-	(528,920)	-	(43)	-	(43)
Other:												
Revaluation	-	-	-	-	-	-	-	-	-	26	-	26
Disposals	-	-	-	-	-	-	-	-	-	-	(36,023)	(36,023)
Current element of loans issued in year transferred to receivables	-	(8,407)	-	(514)	-	-	-	(8,921)	-	(73)	-	(73)
Other movements to and from receivables	-	(71,399)	-	(88,647)	-	(4,142)	-	(164,158)	-	(4,142)	-	(4,142)
Impairment	-	-	-	-	-	(402)	-	(402)	-	(402)	(174)	(576)
Impairment reversal	-	-	-	-	-	31	-	31	-	6,015	-	6,015
Reclassification	(302,448)	(5,374)	302,448	5,374	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	(5,567)	(184,000)	(189,567)	-	(5,567)	(184,000)	(189,567)
Transfers under absorption accounting	-	-	-	-	-	-	-	-	-	-	-	-
Transfers other than absorption accounting	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	371	-	371	-	371	2,617	2,988
Balance at 31 March 2013	**10,921,052**	**620,089**	**12,727,981**	**1,095,538**	**1,328**	**632,369**	**182,700**	**25,981,057**	**1,328**	**907,619**	**210,079**	**1,118,926**
Investments held by Core Department	10,921,052	520,089	12,727,981	1,095,538	1,328	532,369	182,700	25,981,057	1,328	532,369	182,700	25,981,057
Investments held by other NHS bodies	-	-	-	-	-	-	-	-	-	375,150	27,379	402,529

Total 'Investments held by the Core Department' plus 'Investments held by other NHS bodies' do not equal the total investment balance for the Departmental Group as at 31 March 2013. This is because the Core Department figure excludes inter-company eliminations of NHS Trust and NHS Foundation Trust PDC and loans.

Investments categorised as "Other" include Dr Foster Intelligence Ltd and NHS Professionals. These investments are for sale, but do not currently meet the IFRS 5 criteria for assets held for sale, and are shown in aggregate in these accounts on the grounds of commercial sensitivity. The £189.6 million investment in Plasma Resources UK has been reclassified as held for sale in-year.

The Department can analyse its investments in other bodies as follows:	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital	Percentage Shareholding
	£'000	£'000	£'000	%
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Community Health Partnerships	-	10,000	103,000	100%
Credit Guarantee Fund (CGF)	-	490,768	-	0%
SBS	-	17,221	20,500	50%
LIFT companies	-	-	-	0%
Social Enterprise Loans	-	13,052	-	0%
NHS Property Services Ltd	-	-	15,000	100%
Other	-	-	43,700	
Total	**1,328**	**532,369**	**182,700**	

Footnote

1) The Core Department's PDC investment in, and loans to, NHS Trusts and NHS Foundation Trusts eliminate on consolidation, and so are not shown as consolidated Departmental Group investments as they are not with bodies external to the Group. With the exception of MHRA, PDC is only issued to bodies within the Departmental Group.

2) The "Repaid" line records repayments of non-current amounts: i.e. repayments of amounts in advance of the dates specified in the relevant loan agreements/schedules. The repayment of the current element of financial assets is accounted for in the receivables note.
3) The "Issued" line records the full value of all new loans let in-year. These loans will comprise a current and non-current element, with the current element being immediately transferred to receivables via the "Current element of loans issued in-year transferred to receivables" line.

								2011-12 £'000				2011-12 £'000
								Core Department				Departmental Group
	NHS Trusts PDC	NHS Trusts Loans	NHS Foundation Trusts PDC	NHS Foundation Trusts Loans	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital	Total	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	**11,534,498**	**546,097**	**11,686,858**	**713,466**	**1,328**	**572,068**	**369,302**	**25,323,617**	**1,328**	**666,442**	**383,153**	**1,050,923**
Issued:												
To newly established bodies	32,802	-	800	-	-	-	-	33,602	-	-	-	-
To existing bodies	372,713	159,076	102,832	249,987	-	3,548	-	888,156	-	304,524	47,054	351,578
Repaid:												
By continuing bodies	(43,200)	(14,892)	(1,067)	(1,000)	-	(820)	-	(60,979)	-	(820)	-	(820)
Written off:												
By or on behalf of dissolved bodies	(32,869)	-	-	-	-	(299)	-	(33,168)	-	(299)	-	(299)
Other:												
Revaluation	-	-	-	-	-	101	84,304	84,405	-	101	84,666	84,767
Disposals	-	-	-	-	-	-	-	-	-	-	(38,181)	(38,181)
Current element of loans issued in year transferred to receivables	-	(11,153)	-	(2,270)	-	-	-	(13,423)	-	-	-	-
Other movements to and from receivables	-	(106,804)	-	(79,543)	-	(9,256)	-	(195,603)	-	(9,256)	(6,698)	(15,954)
Impairment	-	-	-	-	-	(647)	(101,906)	(102,553)	-	(28,632)	(101,906)	(130,538)
Impairment reversal	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	(549,857)	(44,148)	549,857	44,148	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	83	-	83	-	83	2,879	2,962
Balance at 31 March 2012	**11,314,087**	**528,176**	**12,239,280**	**924,788**	**1,328**	**564,778**	**351,700**	**25,924,137**	**1,328**	**932,143**	**370,967**	**1,304,438**
Investments held by Core Department	11,314,087	528,176	12,239,280	924,788	1,328	564,778	351,700	25,924,137	1,328	564,778	351,700	25,924,137
Investments held by other NHS bodies	-	-	-	-	-	-	-	-	-	367,365	19,267	386,632

The Department can analyse its investments in other bodies as follows:	Other Bodies PDC	Other Bodies Loans	Other Bodies Share Capital	Percentage Shareholding
	£'000	£'000	£'000	%
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Community Health Partnerships	-	10,000	103,000	100%
Credit Guarantee Fund (CGF)	-	493,998	-	0%
SBS	-	16,850	20,500	50%
LIFT companies	-	-	-	0%
Social Enterprise Loans	-	11,315	-	0%
NHS Property Services Ltd	-	-	-	100%
Other	-	31,287	227,700	
Total	**1,328**	**564,778**	**351,700**	

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

The Department reviews the values of its other financial investments each year with independent valuations carried out at intervals of no more than three years. The Department's investments in Community Health Partnerships, Plasma Resources UK Ltd, SBS, NHS Professionals and Dr Foster Intelligence Ltd were all subject to independent valuation in 2011-12. The holding values in the 2012-13 accounts were reviewed in light of the prior year independent valuations and used market pricing information where available.

One of the main considerations, in both the internal and independent valuation techniques employed by the Department, is an assessment of the value of future liabilities of the entities, including future pension liabilities.

The Government began a consultation on the Fair Deal for Pensions policy in 2011, in response to a recommendation made in an interim report by the Independent Public Service Pensions Commission. This consultation covers the options on pension provision in the public sector, and potentially creates significant uncertainity with regard to the future value of public sector pension liabilities.

The Department's investments predominately relate to organisations that have a substantial number of employees with public sector pensions. These could potentially be affected by the outcome of the Fair Deal consultation. When the Department's investments were subject to independent valuation and review for these accounts, the Government's application of the Fair Deal reforms were, and still are, subject to ongoing uncertainty. It is not yet clear to what extent, if at all, the proposed changes will affect the staff employed in the organisations, so there was no impact on the value of the Department's investments in 2012-13.

The net assets and results of the relevant bodies are summarised below:

	NHS Trusts	Foundation Trusts	Medicines and Healthcare products Regulatory Agency	Plasma Resources UK Limited	Community Health Partnerships	Joint Ventures SBS	Dr Foster Intelligence Ltd	NHS Professionals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 31 March 2013	11,305,396	17,952,444	110,578	230,937	58,336	11,239	2,794	40,493
Turnover	30,461,165	38,921,191	115,788	155,718	6,989	81,165	11,516	369,591
Surplus/profit for the year (before financing)	(544,421)	(151,251)	15,160	(11,450)	1,917	7,823	(3,840)	4,556
Net assets at 31 March 2012	12,115,648	17,497,184	95,411	94,267	56,419	5,872	6,676	35,937
Turnover	30,911,248	35,855,513	117,247	123,069	629	62,447	14,863	311,024
Surplus/profit for the year (before financing)	(717,571)	76,156	17,215	(18,238)	2,915	4,168	(9,438)	3,423

Investments held by the Department of Health in 2012-13

The figures for Plasma Resources UK, SBS and Dr Foster Intelligence Ltd are for the financial year ending 31st December 2012. The figures for NHS Professionals and Community Health Partnerships are for the financial year ending 31st March 2013. Information provided above for the following bodies is draft, as final audited accounts were not available at the date of publication: Medicines and Healthcare Regulatory Agency, Plasma Resources UK Limited and NHS Professionals.

Credit Guarantee Finance (CGF) is a loan, guaranteed by banks, monolines or other acceptable financial institutions, from the sponsoring Department to a PFI project Special Purpose Vehicle on 'market' terms. The CGF loans undertaken by the Department are pilots at two NHS PFI projects – Leeds and Portsmouth. Other than these pilots, the Department will not be undertaking any further CGF loans.

New social enterprise loans of £3.3 million have been issued in 2012-13.

The repayment of Other Bodies Loans includes a £25.4 million repayment of a loan to DCI Biologicals, the American subsidiary of Plasma Resources UK.

During 2012-13 the Department increased its shareholding in NHS Property Services Ltd to £15.0 million, in exchange for 15 million ordinary shares. NHS Property Services is a limited company wholly owned by the Department of Health. It was established on 20 December 2011 and registered at Companies House. The company became active in the latter half of the 2012-13 financial year as the Department plans for the transfer of PCT estate assets with associated liabilities and staff to the company following PCT abolition. From that point, the company will own and run the ex-PCT estate and will take over the PCT role in relevant arrangements (for example landlord responsibilities and strategic management).

Investments held by other NHS bodies in 2012-13

The Departmental Group figure for loans to other bodies at 31 March 2013 contains a £343.6 million working capital loan made by NHS Business Services Authority in support of the outsourced Supply Chain

arrangement. The primary purpose of the working capital loan is to facilitate aggregated capital purchases for the NHS.

Further details relating to investments can be found in the accounts of underlying bodies.

Financing of NHS Trusts and NHS Foundation Trusts

The Department has two means of financing NHS Trusts and NHS Foundation Trusts:

(1) **Public Dividend Capital (PDC)** - issued as either structural capital when NHS Trusts are established, or when the Department needs to provide additional financing to NHS Trusts or NHS Foundation Trusts after establishment.

(2) **Loans** – normally made under standard Government loan terms, i.e. 6 monthly equal instalments of principal and interest charged on outstanding balances. National Loan Fund rates of interest (as published by the UK Debt Management Office) are applied.

Both PDC and Loans are held at historic value.

In 2012-13, three NHS Trusts defaulted on loan principal repayments with a value of £27.928 million. The Department has rescheduled three of the principal repayments. All the loans remain repayable in full. There was no default of interest payments in the year.

The Department judges that there is no material credit risk associated with either form of investment. The financial performance of NHS Trusts and NHS Foundation Trusts is rigorously managed by Strategic Health Authorities and the independent regulator Monitor, not least through their respective powers of intervention. No loan to NHS Trusts or NHS Foundation Trusts has been written off since the re-introduction of loan-financing for NHS providers in 2004.

14 Inventories and work in progress

Core Department	Emergency preparedness	Adult and Childhood Vaccines	Work in progress	Essential Medicines	Pandemic Flu Counter-measures	Pre Pandemic Flu	Other	2012-13 £'000 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	-	107,960	-	-	-	-	-	107,960
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-
Additions	-	243,466	-	-	-	-	-	243,466
Consumed/Disposed of	(49)	(221,606)	-	-	(712)	-	-	(222,367)
Written dow n charged to CSCNE	-	(4,313)	-	-	-	-	-	(4,313)
Revaluation	-	397	-	-	-	-	-	397
Transfer (to) / from non-current assets	49	-	-	-	712	-	-	761
Transfers under absorption accounting	-	-	-	-	-	-	-	-
Transfers other than absorption accounting	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance at 31 March 2013	-	125,904	-	-	-	-	-	125,904

Departmental Group	Emergency preparedness	Adult and Childhood Vaccines	Work in progress	Essential Medicines	Pandemic Flu Counter-measures	Pre Pandemic Flu	Other	2012-13 £'000 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	250	108,019	5,778	-	134	437	817,268	931,886
Prior period adjustments in underlying accounts	(250)	(59)	(5,647)	-	(134)	(437)	6,481	(46)
Additions	-	243,466	-	-	-	-	6,574,773	6,818,239
Consumed/Disposed of	(49)	(221,606)	(1)	-	(712)	-	(6,522,086)	(6,744,454)
Written dow n charged to CSCNE	-	(4,313)	-	-	-	-	(7,007)	(11,320)
Revaluation	-	397	-	-	-	-	-	397
Transfer (to) / from non-current assets	49	-	-	-	712	-	-	761
Transfers under absorption accounting	-	-	-	-	-	-	-	-
Transfers other than absorption accounting	-	-	-	-	-	-	5	5
Other	-	-	-	-	-	-	(26,557)	(26,557)
Balance at 31 March 2013	-	125,904	130	-	-	-	842,877	968,911

Core Department	Emergency preparedness	Adult and Childhood Vaccines	Work in progress	Essential Medicines	Pandemic Flu Counter-measures	Pre Pandemic Flu	Other	2011-12 £'000 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	-	89,421	-	-	-	-	7	89,428
Opening balance adjustment	-	-	-	-	-	-	-	-
Adjustment for transfer of functions	-	-	-	-	-	-	-	-
Restated balance at 1 April 2011	-	89,421	-	-	-	-	7	89,428
Additions	-	203,474	-	-	-	-	-	203,474
Consumed/Disposed of	(164)	(198,897)	-	(8,856)	(30,462)	-	(7)	(238,386)
Written dow n charged to CSCNE	-	(710)	-	-	-	-	-	(710)
Revaluation	-	14,672	-	-	-	-	-	14,672
Transfer (to) / from non-current assets	164	-	-	8,856	30,462	-	-	39,482
Consumables and Raw Materials	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance at 31 March 2012	-	107,960	-	-	-	-	-	107,960

Departmental Group	Emergency preparedness	Adult and Childhood Vaccines	Work in progress	Essential Medicines	Pandemic Flu Counter-measures	Pre Pandemic Flu	Other	2011-12 £'000 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	155	89,468	4,727	-	219	477	810,715	905,761
Opening balance adjustment	-	-	-	-	-	-	48	48
Adjustment for transfer of functions	-	-	-	-	-	-	(2,467)	(2,467)
Restated balance at 1 April 2011	**155**	**89,468**	**4,727**	**-**	**219**	**477**	**808,296**	**903,342**
Additions	165	203,702	6,202	-	30	25	5,674,673	5,884,797
Consumed/Disposed of	(339)	(199,115)	(5,185)	(8,856)	(30,727)	(96)	(5,499,701)	(5,744,019)
Written down charged to CSCNE	-	(710)	-	-	-	-	(5,729)	(6,439)
Revaluation	-	14,672	-	-	-	-	(22)	14,650
Transfer (to) / from non-current assets	269	2	-	8,856	30,462	-	(18,346)	21,243
Consumables and Raw Materials	-	-	-	-	-	-	(131,766)	(131,766)
Other	-	-	34	-	150	31	(10,137)	(9,922)
Balance at 31 March 2012	**250**	**108,019**	**5,778**	**-**	**134**	**437**	**817,268**	**931,886**

15 Impairments

	2012-13 Core Department £'000	2012-13 Departmental Group £'000	2011-12 Core Department £'000	2011-12 Departmental Group £'000
Impairments charged to Consolidated Statement of Comprehensive Net Expenditure				
Property Plant and Equipment impairments	30,142	1,298,223	36,887	1,333,556
Intangible asset impairments	6,625	56,267	43,590	55,760
Financial asset impairments	318	(5,492)	2,247	31,153
Non Current Assets Held for Sale impairments	-	14,634	-	29,109
Investment Property impairments	-	(952)	-	175
Total impairments charged to Consolidated Statement of Comprehensive Net Expenditure	**37,085**	**1,362,680**	**82,724**	**1,449,753**
Impairments charged to Revaluation Reserve				
Property Plant and Equipment impairments	25	786,393	42	602,983
Intangible asset impairments	-	136	-	879
Financial asset impairments	-	(45)	100,306	100,306
Investment Property impairments	-	-	-	-
Total impairments charged to Revaluation Reserve	**25**	**786,484**	**100,348**	**704,168**
Total impairments charged in year	**37,110**	**2,149,164**	**183,072**	**2,153,921**

16 Trade Receivables and other current assets

16.1 Analysis by type

	2012-13 £'000		2011-12 £'000		Unaudited 2010-11 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:						
Trade receivables	25,555	607,570	43,750	246,288	45,652	232,458
Deposits and advances	25	153	-	2,198	-	120
Capital receivables - property plant and equipment	-	19,107	-	55,085	-	54,660
Capital receivables - intangible non current assets	-	646	-	1,103	-	919
Capital receivables - assets held for sale	-	4,672	-	-	-	-
Interest receivable	336	1,864	210	1,920	30	1,251
Other receivables	121,498	685,818	74,181	479,564	55,007	727,039
Trade and other receivables	**147,414**	**1,319,830**	**118,141**	**786,158**	**100,689**	**1,016,447**
Pension prepayments maturing in one year	-	-	-	-	-	-
Consolidated Fund Extra Receipts receivable	1	1	27,279	27,279	23,345	23,345
Other prepayments and accrued income	234,262	1,007,592	205,896	1,505,001	161,113	1,184,704
Current part of PFI and other service concession arrangements prepayments	-	43,200	-	34,931	-	25,192
Other current assets	**234,263**	**1,050,793**	**233,175**	**1,567,211**	**184,458**	**1,233,241**
Current part of loans repayable transferred from investments	206,463	56,631	231,953	64,749	189,138	47,561
Other financial assets	**206,463**	**56,631**	**231,953**	**64,749**	**189,138**	**47,561**
Total current receivables	**588,140**	**2,427,264**	**583,269**	**2,418,118**	**474,285**	**2,297,249**
Amounts falling due after more than one year:						
Trade receivables	-	48,195	-	71,327	-	86,949
Deposits and advances	-	-	-	-	-	22
Capital receivables - property plant and equipment	-	4,113	-	15,757	-	15,679
Capital receivables - intangible non current assets	-	-	-	395	-	285
Capital receivables - assets held for sale	-	-	-	-	-	-
Other receivables	104,526	248,498	110,974	301,591	117,913	327,496
Pension prepayments maturing after one year	-	-	-	-	-	261
Other Prepayments and accrued income	20,869	66,733	11,752	160,906	12,062	161,004
Non-current part of PFI and other service concession arrangements prepayments	-	180,932	-	63,169	-	52,006
Total non-current receivables	**125,395**	**548,471**	**122,726**	**613,145**	**129,975**	**643,702**
Total receivables at 31 March 2013	**713,535**	**2,975,735**	**705,995**	**3,031,263**	**604,260**	**2,940,951**

16.2 Intra-Government balances

	Departmental Group			
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	2012-13 £'000	2012-13 £'000	2011-12 £'000	2011-12 £'000
Balances with other central government bodies	231,527	6,390	638,900	19,248
Balances with local authorities	195,213	3,521	91,678	400
Balances with NHS bodies outside the Departmental Group			-	-
Balances with Public Corporations and Trading Funds	3,360	-	307	-
Subtotal: Intra-government balances	**430,100**	**9,911**	**730,885**	**19,648**
Balances with bodies external to government	1,997,154	538,560	1,687,233	593,497
Total receivables	**2,427,254**	**548,471**	**2,418,118**	**613,145**

	Core Department			
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	2012-13 £'000	2012-13 £'000	2011-12 £'000	2011-12 £'000
Balances with other central government bodies	8,603	-	52,187	-
Balances with local authorities	256	-	9	-
Balances with NHS bodies outside the Departmental Group	-	-	-	-
Balances with NHS bodies inside the Departmental Group	233,064	-	260,250	-
Balances with Public Corporations and Trading Funds	49	-	-	-
Subtotal: Intra-government balances	**241,972**	**-**	**312,446**	**-**
Balances with bodies external to government	346,168	125,395	270,823	122,726
Total receivables	**588,140**	**125,395**	**583,269**	**122,726**

17 Cash and cash equivalents

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April 2012	**520,148**	**5,805,198**	**1,624,356**	**5,890,739**
Adjustment for transfer of functions	-	-	-	(5,464)
Opening balance adjustment	-	-	-	6,392
Restated balance at 1 April 2012	**520,148**	**5,805,198**	**1,624,356**	**5,891,667**
Net change in cash	686,412	1,616,507	(1,104,208)	(86,469)
Balance at 31 March 2013	**1,206,560**	**7,421,705**	**520,148**	**5,805,198**
The following balances at 31 March were held at:				
Office of HM Paymaster General	-	-	-	-
Commercial banks and cash in hand	1,206,560	7,401,512	520,148	5,763,719
Short term investments	-	20,193	-	41,479
Balance at 31 March 2013	**1,206,560**	**7,421,705**	**520,148**	**5,805,198**

Following the introduction of the Government Banking Service (GBS) in 2009-10, cash balances held in bank accounts operated by the Office of HM Paymaster General have reduced to zero. Cash held in GBS accounts is included within the Commercial banks and cash in hand line of the above note. Cash held in GBS accounts totalled £1,206.6 million for the Core Department and £7,244.2 million for the Departmental Group in 2012-13.

18 Assets classified as held for sale

Departmental Group 2012-13 £'000

	Land £'000	Buildings £'000	Plant and Machinery £'000	Stockpiled goods £'000	Intangible Assets £'000	Financial Assets[1] £'000	Total £'000
As at 1 April 2012	**147,153**	**95,030**	**3,503**	**-**	**314**	**-**	**246,000**
Prior period adjustments in underlying accounts	(1,089)	3,651	(2,564)	-	-	-	(2)
Assets held for sale in year	108,892	53,138	4,635	-	291	189,567	356,523
Assets sold in year	(90,564)	(59,886)	(5,210)	-	(608)	-	(156,268)
Impairment of assets held for sale	(7,741)	(13,304)	(314)	-	-	-	(21,359)
Reversal of impairments of assets held for sale	2,908	555	-	-	-	-	3,463
Assets no longer held for sale (for reasons other than sale)	(2,434)	(1,492)	(40)	-	-	-	(3,966)
Gain/(loss) on transfer to assets held for sale	-	-	-	-	-	-	-
Transfers under absorption accounting	-	-	-	-	-	-	-
Transfers other than absorption accounting	-	-	-	-	-	-	-
Transfer to NHS Foundation Trusts	(1)	-	-	-	-	-	(1)
Revaluation	1,089	(120)	-	-	-	-	969
Other movements	-	-	-	-	-	362	362
As at 31 March 2013	**158,213**	**77,572**	**10**	**-**	**(3)**	**189,929**	**425,721**
Liabilities associated with assets held for sale at 31 March 2013	-	(82)	-	-	-		(82)

Footnote
1) The £189.9 million financial asset held for sale is the Department's investment in Plasma Resources UK which was reclassified as held for sale in-year.

Amount attributable to Core Department:

	Land £'000	Buildings £'000	Plant and Machinery £'000	Stockpiled goods £'000	Intangibles £'000	Financial Assets £'000	Total £'000
Core Department as at 31 March 2013	8,362	468	-	-	-	189,929	198,759

Departmental Group 2011-12 £'000

	Land £'000	Buildings £'000	Plant and Machinery £'000	Stockpiled goods £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
As at 1 April 2011	**153,758**	**58,363**	**3,548**	**-**	**(7)**	**-**	**215,662**
Opening balance adjustment	9	(10)	(4)	-	4	-	(1)
Adjustment for transfer of functions	1	-	-	-	-	-	1
Restated balance as at 1 April 2011	**153,768**	**58,353**	**3,544**	**-**	**(3)**	**-**	**215,662**
Assets held for sale in year	137,482	132,606	6,006	-	547	-	276,641
Assets sold in year	(126,060)	(69,250)	(4,841)	-	(230)	-	(200,381)
Impairment of assets held for sale	(19,956)	(15,448)	(561)	-	-	-	(35,965)
Reversal of impairments of assets held for sale	4,195	941	-	-	-	-	5,136
Assets no longer held for sale (for reasons other than sale)	(2,276)	(12,172)	(645)	-	-	-	(15,093)
Transfer to NHS Foundation Trusts	-	-	-	-	-	-	-
As at 31 March 2012	**147,153**	**95,030**	**3,503**	**-**	**314**	**-**	**246,000**
Liabilities associated with assets held for sale at 31 March 2012	(88)	(171)	-	-	-		(259)

Amount attributable to Core Department:

	Land £'000	Buildings £'000	Plant and Machinery £'000	Stockpiled goods £'000	Intangibles £'000	Financial Assets £'000	Total £'000
Core Department as at 31 March 2012	7,847	809	-	-	-	-	8,656

The Department holds Retained Estates that are property not transferred to the ownership of the NHS with a total book value of £51.0 million. Of this total, the Department proposes to sell property with a book value of £41.7 million to third parties. Only £8.7 million of these planned asset sales meet the IFRS 5 "held for sale" recognition criteria and are therefore included within this note.

19 Trade Payables and other current liabilities

19.1 Analysis by type

	2012-13 £'000		2011-12 £'000		Unaudited 2010-11 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:						
Trade payables	44,982	4,123,538	47,300	3,511,260	58,847	3,717,576
Capital payables - property plant and equipment	-	559,088	4	536,224	-	492,555
Capital payables - intangible non current assets	86,107	102,185	95,189	106,970	122,362	130,955
Capital payables - assets held for sale	-	1,237	-	-	-	-
Capital payables - investments	-	584	-	-	-	-
Other payables	12,857	1,071,057	4,028	823,683	15,388	933,792
Trade and other payables	**143,946**	**5,857,689**	**146,521**	**4,978,137**	**196,597**	**5,274,878**
Bank Overdraft	-	26,401	-	20,749	44	36,313
VAT	-	4,598	-	4,987	21,384	28,040
Other taxation and social security	3,015	779,334	3,270	732,960	3,882	760,789
Early retirement costs payable within one year	-	176	-	252	-	38
EEA Medical Costs Accrual	513,579	513,579	541,593	541,593	557,106	557,106
Other Accruals	271,835	4,146,553	325,403	4,779,357	310,674	3,948,469
Deferred grants income (including transfer from reserves to match depreciation)	-	23,320	-	20,179	-	15,303
Deferred income	73,134	687,861	68,609	701,419	60,823	677,058
Current part of finance lease	8,880	91,868	8,253	62,085	13,337	149,973
Current part of imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	274,988	-	260,547	-	231,804
Amount issued from the Consolidated Fund for supply but not spent at year end	1,436,066	1,436,066	604,095	604,095	982,689	982,689
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Received	20,008	20,008	95	95	53	53
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Receivable	1	1	27,279	27,279	23,345	23,345
Other amount payable to the Consolidated Fund	-	-	-	-	735,792	735,792
Current loans payable by NHS Trusts to entities outside the accounting boundary	-	7,275	-	3,230	-	226
Pension Liabilities	-	672	-	682	-	679
Other liabilities	**2,326,518**	**8,012,700**	**1,578,597**	**7,759,509**	**2,709,129**	**8,147,677**
Total current payables	**2,470,464**	**13,870,389**	**1,725,118**	**12,737,646**	**2,905,726**	**13,422,555**
Amounts falling due after more than one year:						
Finance leases	44,989	296,406	55,816	354,486	72,965	396,690
Imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	11,406,379		11,454,095	-	10,091,509
Pension Liabilities	-	788	-	6,655	-	4,379
Financial liabilities	**44,989**	**11,703,573**	**55,816**	**11,815,236**	**72,965**	**10,492,578**
Trade payables	-	14,049	-	21,521	-	23,417
EEA Medical Costs Accrual	235,342	235,342	160,831	160,831	195,280	195,280
Capital payables - property plant and equipment	-	2,036	-	5,848	-	8,055
Capital payables - intangible non current assets	47,447	49,903	104,313	104,387	133,510	133,699
Capital payables - assets held for sale	-	-	-	-	-	-
Other payables	15,094	117,817	-	144,714	0	135,647
Deferred grants income (including transfer from reserves to match depreciation)	-	772	-	480	-	19,081
Deferred income	12,727	208,610	18,328	168,089	23,929	145,826
Non-current loans payable by NHS Trusts to entities outside the accounting boundary	-	7,660	-	5,985	-	6,374
Other payables	**310,610**	**636,189**	**283,472**	**611,855**	**352,719**	**667,379**
Total non-current payables	**355,599**	**12,339,762**	**339,288**	**12,427,091**	**425,684**	**11,159,957**
Total payables	**2,826,063**	**26,210,151**	**2,064,406**	**25,164,737**	**3,331,410**	**24,582,512**

19.2 Intra-Government balances

	Departmental Group			
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	2012-13 £'000	2012-13 £'000	2011-12 £'000	2011-12 £'000
Balances with other central government bodies	1,221,990	5,026	1,106,897	-
Balances with local authorities	276,081	1,911	248,328	4,398
Balances with NHS bodies outside the Departmental Group			-	-
Balances with Public Corporations and Trading Funds	12,488	-	5,448	-
Subtotal: Intra-government balances	**1,510,559**	**6,937**	**1,360,673**	**4,398**
Balances with bodies external to government	12,359,830	12,332,825	11,376,973	12,422,693
Total payables	**13,870,389**	**12,339,762**	**12,737,646**	**12,427,091**

	Core Department			
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	2012-13 £'000	2012-13 £'000	2011-12 £'000	2011-12 £'000
Balances with other central government bodies	1,467,608	-	650,894	-
Balances with local authorities	6,622	-	588	-
Balances with NHS bodies outside the Departmental Group	-	-	-	-
Balances with NHS bodies inside the Departmental Group	96,559	-	73,088	-
Balances with Public Corporations and Trading Funds	2,088	-	805	-
Subtotal: Intra-government balances	**1,572,877**	**-**	**725,375**	**-**
Balances with bodies external to government	897,587	355,599	999,743	339,288
Total payables	**2,470,464**	**355,599**	**1,725,118**	**339,288**

20 Provisions for liabilities and charges

2012-13
£'000

	Core Department					Departmental Group					
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**9,283**	**653,001**	**617,863**	**375,389**	**1,655,536**	**541,025**	**653,001**	**617,863**	**18,619,999**	**1,757,278**	**22,189,166**
Prior period adjustments in underlying accounts	-	-	-	-	-	793	-	-	-	1,403	2,196
Provided in the year	2,373	67,351	676,073	8,701	754,498	65,009	67,351	676,073	6,475,325	1,425,764	8,709,522
Transfers under absorption accounting	-	-	-	1,385	1,385	(1,034)	-	-	-	1,037	3
Transfers other than absorption accounting	-	-	-	-	-	-	-	-	-	(580)	(580)
Provisions utilised in the year	(3,948)	(52,112)	(57,045)	(23,806)	(136,911)	(200,436)	(52,112)	(57,045)	(1,258,880)	(460,545)	(2,029,018)
Provisions not required written back	-	(12,161)	(164,496)	(10,992)	(187,649)	(13,070)	(12,161)	(164,496)	(2,561,498)	(341,861)	(3,093,086)
Unwinding of discount	260	14,366	13,593	8,246	36,465	35,735	14,366	13,593	19,244	13,008	95,946
Change in discount rate	32	87,395	28,922	30,345	146,694	9,305	87,395	28,922	1,396,327	50,262	1,572,211
Transfer to accruals	(8,000)	-	(551,657)	-	(559,657)	(12,036)	-	(551,657)	-	(27,593)	(591,286)
Balance at 31 March 2013	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**

	Core Department					Departmental Group					
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2012-13											
Current	-	51,683	201,656	25,935	279,274	42,085	51,684	201,656	1,175,297	1,239,094	2,709,816
Non Current	-	706,157	361,597	363,333	1,431,087	383,206	706,156	361,597	21,515,220	1,179,079	24,145,258
Expected timing of cash flow											
Not later than 1year	-	51,683	201,656	25,935	279,274	42,085	51,684	201,656	1,175,297	1,239,094	2,709,816
Later than 1year, not later than 5 years	-	216,109	361,597	85,567	663,273	149,248	216,109	361,597	7,372,504	707,246	8,806,704
Later than 5 Years	-	490,048	-	277,766	767,814	233,958	490,047	-	14,142,716	471,833	15,338,554
Total	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**

Footnote

1) The EEA provision arising is updated on a monthly basis to acknowledge new claims intelligence and foreign exchange rate movements. New claims intelligence improves the accuracy of the provision activity and where the timing and certainty of the expenditure can be reliably forecast the expenditure is transferred from the provision to accruals. These transfers occur on a monthly basis throughout the financial year.

Prior year

	Core Department					Departmental Group					2011-12 £'000
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	**13,193**	**655,923**	**551,769**	**266,121**	**1,487,006**	**591,640**	**655,923**	**551,769**	**16,639,494**	**1,332,267**	**19,771,093**
Opening balance adjustment	-	-	-	-	-	2,236	-	-	-	(2,863)	(627)
Adjustment for transfer of functions	-	-	-	-	-	287	-	-	-	276	563
Restated Balance at 1 April 2011	**13,193**	**655,923**	**551,769**	**266,121**	**1,487,006**	**594,163**	**655,923**	**551,769**	**16,639,494**	**1,329,680**	**19,771,029**
Provided in the year	432	43,109	613,751	141,277	798,569	44,655	43,109	613,751	4,616,234	1,016,653	6,334,402
Transfers in Year	-	-	-	-	-	-	-	-	-	2,882	2,882
Provisions utilised in the year	(4,711)	(49,026)	(41,585)	(28,292)	(123,614)	(92,147)	(49,026)	(41,585)	(1,277,371)	(373,656)	(1,833,785)
Provisions not required written back	-	(11,435)	-	(9,490)	(20,925)	(19,972)	(11,435)	-	(1,354,471)	(229,299)	(1,615,177)
Unwinding of discount	369	14,430	12,140	5,773	32,712	14,655	14,430	12,140	(3,887)	10,593	47,931
Change in discount rate	-	-	-	-	-	1,660	-	-	-	568	2,228
Transfer to accruals	-	-	(518,212)	-	(518,212)	(1,989)	-	(518,212)	-	(143)	(520,344)
Balance at 31 March 2012	**9,283**	**653,001**	**617,863**	**375,389**	**1,655,536**	**541,025**	**653,001**	**617,863**	**18,619,999**	**1,757,278**	**22,189,166**

	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2011-12											
Current	3,503	47,496	161,138	24,179	236,316	58,696	47,496	161,138	2,062,595	959,706	3,289,631
Non Current	5,780	605,505	456,725	351,210	1,419,220	482,329	605,505	456,725	16,557,404	797,572	18,899,535
Prior year: expected timing of cash flow											
Not later than 1year	3,503	47,496	161,138	24,179	236,316	58,696	47,496	161,138	2,062,595	959,706	3,289,631
Later than 1year, not later than 5 years	5,141	179,821	456,725	81,588	723,275	208,374	179,821	456,725	4,754,160	377,705	5,976,785
Later than 5 Years	639	425,684	-	269,622	695,945	273,955	425,684	-	11,803,244	419,867	12,922,750
Total	**9,283**	**653,001**	**617,863**	**375,389**	**1,655,536**	**541,025**	**653,001**	**617,863**	**18,619,999**	**1,757,278**	**22,189,166**

Clinical Negligence

The Department of Health provides for future costs in a number of cases where it is the defendant in legal proceedings brought by claimants seeking damages for the effects of alleged clinical negligence.

Strategic Health Authorities, Primary Care Trusts, NHS Foundation Trusts and NHS Trusts retain legal responsibility for all liabilities covered by the clinical negligence schemes: the Ex-Regional Health Authority Scheme (ex RHA), Existing Liabilities Scheme (ELS) and Clinical Negligence Scheme for Trusts (CNST), but the NHS Litigation Authority (NHSLA) accounts for all the liabilities under these separate schemes. Actuaries appointed by the NHSLA undertake regular reviews to identify movements in the value of likely future settlements under these schemes, and these are recorded in the NHSLA's annual accounts.

The movements in provisions recorded in the Statement of Financial Position of the NHSLA are made up of several elements namely: changes to the value of existing claims brought forward at the start of the financial year, the outstanding value of new claims received in year which remain open at the end of the financial year, and an allowance for claims incurred during 2012-13 which are yet to be reported.

Known reported claims are individually valued using likely costs to resolve the claim and probability factors to take account of the potential of a successful defence, whilst incurred but not reported (IBNR) claims are valued using actuarial models to predict likely values. The NHSLA reviews its actuarial models twice each year as it seeks to compare previous forecasts to actual activity in year. The value of the provision increased by £4,070,518,000 in 2012-13 (from £18,619,999,000 at 31 March 2012 to £22,690,517,000 at 31 March 2013), £1,196,000,000 of the increase being attributable to the in-year change in discount rate. Additionally, the numbers of clinical claims reported to the Authority have increased significantly in recent years, with annual claims volumes having increased by 67% since 2007-08, and during 2012-13 this trend continued with 11% growth in comparison to 2011-12. This is believed to be the result of more incidents converting to claims as well as claims being reported to the Authority more quickly.

Clinical negligence claims which may succeed, but are less likely or cannot be reliably estimated, are accounted for as contingent liabilities.

Clinical negligence provisions in the accounts of the NHSLA as at 31 March 2013 include £37,849,000 for the RHA scheme, £2,266,187,000 under the ELS and £20,386,481,000 for CNST.

Of the total £22,690,517,000 clinical negligence provisions, £1,175,297,000 is expected to be payable within 1 year, £7,372,504,000 in 1 to 5 years and £14,142,716,000 after 5 years. These estimates are based on the anticipated timing and progress of claims through the legal process.

Sensitivity of estimated clinical negligence provision as at 31 March 2013 to movements in the tiered read discount rate and other key assumptions

In 2012-13 HM Treasury changed the discount rate for general provisions from the previous 2.2% to three 'tiered' rates, short (-1.8%), medium (-1.0%) and long-term (2.2%) as set out in HM Treasury's Public Expenditure System (2012) 15 paper published 30 November 2012 (the provisions accounting policy, Note 1.27, provides further details). As can be seen in Note 20, the impact of this change on the clinical negligence provision was £1.4 billion.

Due to the long-term nature of the liabilities and the number and nature of the assumptions on which the estimate of the clinical negligence provision is based, some uncertainty about the value of the liability remains. For example, the table below shows that if the HM Treasury discount rates were to be further adjusted by 0.1% the total clinical negligence provision recorded in the Statement of Financial Position would increase by £394 million and likewise a reduction of 0.1% would reduce the clinical negligence provision by £381 million. This sensitivity analysis is included in this note to enable readers to understand the impacts such adjustments would have on the accounts although it should be noted that the relationship is not purely linear in all cases as can be seen by the changes outlined in the table.

Summary of provisions	Total provisions £m	Change to the original estimate £m	Change to the original estimate %
0.1% decrease in the discount rate	23,352	394	1.7%
Tiered real discount rate structure	22,958	0	0.0%
0.1% increase in the real discount rate	22,577	-381	-1.7%

The clinical negligence provision's value is particularly sensitive to changes in the long term discount rate given its nature. The disclosures above show the impact of a change of 0.1%, however the potential change in the discount rates applied could be significantly more in the long term meaning the uncertainty surrounding the valuation of this liability could be significantly greater than the numerical values presented.

Other factors affecting the value of the clinical negligence liability which are subject to estimation and assumption include patterns of delay in reporting incidents, assumptions regarding the severity, frequency and/or value inflation of claims, the differential between Retail Price Index (RPI) and Annual Hourly Earnings (ASHE) index over the long term and life expectancy.

Early Departure

These financial statements provide for the additional future costs, beyond the normal benefit awards for which employees are eligible under the terms of their pension scheme, arising from compensation payments for termination of employment through redundancy, severance or early retirement. The provision also takes account of arrangements with pension schemes under which employees can make prepayments to meet future liabilities. On the basis of the age of retirees, expenditure is likely to be incurred over a period of up to nine years.

The provision mainly relates to early retirement liabilities in Primary Care Trusts, NHS Trusts and NHS Foundation Trusts.

Primary Care Trust liabilities total £97,289,000. Of the total, £11,445,000 is expected to be payable within 1 year, £39,214,000 in 1 to 5 years and £46,630,000 after 5 years. NHS Trust liabilities total £158,146,000, of which £13,249,000 is expected to be payable within 1 year, £48,002,000 in 1 to 5 years, and £96,895,000 after 5 years. NHS Foundation Trust liabilities total £163,098,000, of which £15,353,000 is expected to be payable within 1 year, £59,626,000 in 1 to 5 years, and £88,119,000 after 5 years.

Further amounts of £3,574,000 are included in Strategic Health Authorities, of which £254,000 is expected to be payable within 1 year, £2,300,000 in 1 to 5 years, and £1,020,000 after 5 years; £3,183,000 in Special Health Authorities and Arms Length Bodies of which £1,783,000 is expected to be payable within 1 year, £106,000 in 1 to 5 years and £1,294,000 after 5 years.

Injury Benefits

The Department's Annual Report and Accounts provide for the future costs of permanent Injury Benefits awarded up to April 1997 to NHS staff injured in the course of their duties. From this date, the respective NHS body which employed the injured person has been liable for the costs. The Injury Benefit awards are guaranteed minimum income levels, and are granted for the life of the individual. The award is based on an assessment of the nature of the injury and the effect on the individual's earning capacity which results. The total claim provided for is £757,840,000 of which £51,683,000 is expected to be payable within 1 year, £216,110,000 in 1 to 5 years and £490,047,000 after 5 years.

EEA Medical Costs

EEA Medical Costs refer to medical costs incurred by UK Citizens in other European countries which are accounted for as liabilities payable by the UK to those European countries.

The total cost provided for is £563,253,000 of which £201,656,000 is expected to be payable within 1 year and £361,597,000 in 1 to 5 years.

Other

These financial statements disclose other provisions of £2,418,173,000, which relate to the following:

- The future support of patients who contracted HIV from contaminated blood supplies. The total provision is £118,644,000 of which £7,029,000 is expected to be paid within 1 year, £28,355,000 in 1 to 5 years and £83,260,000 after 5 years.
- Legal claims against Primary Care Trusts amounting to £19,408,000, of which £10,484,000 is expected to be paid within 1 year, £3,049,000 in 1 to 5 years and £5,875,000 after 5 years.
- Legal claims against Strategic Health Authorities amounting to £7,269,000, of which £4,859,000 is expected to be paid within 1 year, £2,410,000 in 1 to 5 years and £0 after 5 years.
- Legal claims against NHS Trusts amounting to £34,813,000, of which £25,135,000 is expected to be paid within 1 year, £4,266,000 in 1 to 5 years and £5,412,000 after 5 years.
- Restructuring provisions recorded by Primary Care Trusts amounting to £9,492,000, of which £9,292,000 is expected to be paid within 1 year, £116,000 in 1 to 5 years and £84,000 after 5 years.
- Restructuring provisions recorded by Strategic Health Authorities, with a total value of £1,109,000, all of which is expected to be paid within 1 year.
- Restructuring provisions recorded by NHS Trusts amounting to £47,398,000, of which £43,705,000 is expected to be paid within 1 year, £2,263,000 in 1 to 5 years and £1,430,000 after 5 years.
- Redundancy provisions recorded by Primary Care Trusts amounting to £19,412,000, of which £18,895,000 is expected to be paid within 1 year, £472,000 in 1 to 5 years and £45,000 after 5 years.
- Redundancy provisions recorded by Strategic Health Authorities, with a total value of £2,973,000, all of which is expected to be paid within 1 year.
- Redundancy provisions recorded by NHS Trusts amounting to £98,524,000, of which £90,122,000 is expected to be paid within 1 year, £8,062,000 in 1 to 5 years and £340,000 after 5 years.
- Continuing Healthcare provisions recorded by Primary Care Trusts amounting to £763,562,000, of which £426,385,000 is expected to be paid within 1 year, £298,036,000 in 1 to 5 years and £39,141,000 after 5 years.

NHS Continuing Healthcare is a package of care arranged and funded by the NHS which can be provided in a range of settings, including a NHS hospital, a care home or an individual's own home. It is awarded using eligibility criteria depending on whether a person's primary need is a health need. Continuing Healthcare provisions provide for the future costs where individuals who should have received NHS Continuing Healthcare for a past period of care but did not. In March 2012, the Department of Health announced the following in-year deadlines for individuals or their representatives wanting to request an assessment of eligibility for NHS Continuing healthcare between 1 April 2004 and 31 March 2012:

- For the time period 1 April 2004 – 31 March 2011 the deadline for requesting an assessment was 30 September 2012.
- For the time period 1 April 2011 – 31 March 2012 the deadline for requesting an assessment was 31 March 2013.

The announcement of these deadlines has increased the number of requests for assessments received in-year which accounts for the £629,743,000 increase in the Continuing healthcare provision; from £133,819,000 at 31 March 2012 to £763,562,000 at 31 March 2013.

- A scheme in respect of persons who have contracted Hepatitis C through blood and blood products in the course of treatment by the NHS. The total amount provided is £217,323,000 of which £14,646,000 is expected to be paid within 1 year, £54,305,000 in 1 to 5 years and £148,372,000 after 5 years.
- Non-clinical claims administered by NHSLA under the Liabilities to Third Parties Scheme (LTPS) and the Property Expenses Scheme (PES), with a total value of £267,438,000, of which £57,396,000 is expected to be paid within 1 year, £192,316,000 in 1 to 5 years and £17,726,000 after 5 years.

- Of the remaining £810,808,000 balance in Other provisions, £744,350,000 relates to miscellaneous provisions recorded by SHAs, PCTs, NHS Trusts and NHS Foundation Trusts. These relate to a range of issues, including: equal pay, onerous contracts, lease dilapidations, Independent Sector Treatment Centres, and partially completed treatments.

21 Capital Commitments

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Property, plant and equipment	635,225	2,074,901	513,295	1,527,242
Intangible non-current assets	480,155	508,003	667,288	699,825
Total contracted capital commitments at 31 March not otherwise included in these financial statements	**1,115,380**	**2,582,904**	**1,180,583**	**2,227,067**

This note discloses commitments to future capital expenditure, not otherwise disclosed elsewhere in the financial statements. Included within capital commitments are non cancellable contracts and purchase orders which commit the Department to capital expenditure in a future period. Commitment to expenditure under other forms of agreement such as Memorandums of Understanding may be considered as capital commitments if they, in exceptional circumstances, effectively commit the Department to the expenditure as it would be reputationally or politically damaging for the Department to withdraw from the agreement. Any future capital funding within the Department's accounting boundary does not represent a capital commitment. Capital grants that meet the above definition are disclosed within this note.

A large proportion of Core Department capital commitments relate to contracts entered into by DH Informatics Directorate for the delivery of the programme formerly known as the National Programme for IT (see note 23 for further details). In 2012-13 DH Informatics Directorate had capital commitments amounting to £479m (2011-12: £534m).

The Department has additional Capital Commitments of £130 million in respect of the construction of the Frances Crick Institute for Bio Medical Research, £129 million which is committed to local authorities for the community capacity grant which supports adult personal social services and £200 million for the confirmed grants for social care housing. There is a further £97 million for the purchase of residual interests in Independent Sector Treatment Centre (ISTC) schemes.

Of the Departmental Group's capital commitments, £41 million, £508 million and £897 million are within the accounts of Primary Care Trusts, NHS Trusts and NHS Foundation Trusts, respectively.

21.1 Commitments under leases

Operating leases

£74 million of the Core Department's minimum payments relate to the rental of office accommodation. The Department rents accommodation in 14 buildings and the term of the leases will expire in the period 2013-2021.

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Payments recognised as an expense				
Minimum lease payments	19,960	808,130	22,215	809,820
Contingent rents	-	11,348	-	8,393
Sub-lease payments	-	13,711	-	12,376
Total	**19,960**	**833,189**	**22,215**	**830,589**

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

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Total future minimum lease payments under non-cancellable operating leases				
Land:				
Not later than 1 year	-	8,135	-	10,019
Later than 1 year, not later than 5 years	-	22,381	-	21,835
Later than 5 Years	-	74,266	-	78,260
	-	**104,782**	-	**110,114**
Buildings:				
Not later than 1 year	22,677	495,316	20,986	548,582
Later than 1 year, not later than 5 years	53,907	1,131,969	66,092	1,151,864
Later than 5 Years	1,694	1,830,878	7,851	1,777,838
	78,278	**3,458,163**	**94,929**	**3,478,284**
Other:				
Not later than 1 year	39	193,081	76	184,951
Later than 1 year, not later than 5 years	12	323,523	41	325,684
Later than 5 Years	-	51,190	-	64,021
	51	**567,794**	**117**	**574,656**

Operating Lease receipts

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Receipts recognised as revenue				
Minimum lease receipts	5,182	190,464	3,547	152,104
Contingent rents	-	14,257	-	13,464
Sub-lease receipts	-	1,472	-	-
Total	**5,182**	**206,193**	**3,547**	**165,568**

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Total future minimum lease receipts under non-cancellable operating leases				
Land:				
Not later than 1 year	-	3,008	-	2,354
Later than 1 year, not later than 5 years	-	6,768	-	5,318
Later than 5 Years	-	106,821	-	78,057
	-	**116,597**	-	**85,729**
Buildings:				
Not later than 1 year	1,790	23,579	1,686	23,040
Later than 1 year, not later than 5 years	2,076	67,454	3,282	65,052
Later than 5 Years	52	93,665	1,494	98,291
	3,918	**184,698**	**6,462**	**186,383**
Other:				
Not later than 1 year	-	280,878	-	310,916
Later than 1 year, not later than 5 years	-	588,420	-	574,302
Later than 5 Years	-	1,022,755	-	1,105,833
	-	**1,892,053**	-	**1,991,051**

21.2 Finance leases

The Department's significant finance leases relate to the Ambulance Radio Programme, where leased assets include terminal equipment for radio dispatchers and associated voice systems, and to the Renal Programme, where leased assets are used in the delivery of services, and which comprise land, buildings (wards and theatres) and equipment. Different types of equipment are contained in the facilities and the major items include water treatment plants, the Commissioning Data Set (CDS) and dialysis machines.

The minimum payments of the Ambulance Radio Programme are £33,347,000 and the lease expires in 2020-21. The minimum payments of the Renal Programme are £4,269,000 and the lease expires in 2016-17. Commitments under finance leases are as follows:

Minimum lease payments:	**2012-13 £'000**		**2011-12 £'000**	
	Core Department	**Departmental Group**	**Core Department**	**Departmental Group**
Buildings:				
Not later than 1 year	1,373	63,082	1,373	25,732
Later than 1 year, not later than 5 years	15,682	84,397	17,055	133,220
Later than 5 Years	-	287,007	-	302,761
	17,055	**434,486**	**18,428**	**461,713**
Less interest element	(1,842)	(221,384)	(2,403)	(234,609)
	15,213	**213,102**	**16,025**	**227,104**
Other:				
Not later than 1 year	9,957	48,275	9,874	56,381
Later than 1 year, not later than 5 years	31,884	120,796	39,828	130,193
Later than 5 Years	2,717	26,634	7,175	29,636
	44,558	**195,705**	**56,877**	**216,210**
Less interest element	(5,918)	(28,713)	(8,833)	(31,044)
	38,640	**166,992**	**48,044**	**185,166**
Land:				
Not later than 1 year	-	877	-	879
Later than 1 year, not later than 5 years	-	3,510	-	2,377
Later than 5 Years	-	10,575	-	11,138
	-	**14,962**	-	**14,394**
Less interest element	-	(6,799)	-	(10,094)
	-	**8,163**	-	**4,300**

Present value of minimum lease payments:	**2012-13 £'000**		**2011-12 £'000**	
	Core Department	**Departmental Group**	**Core Department**	**Departmental Group**
Buildings:				
Not later than 1 year	840	52,120	812	12,789
Later than 1 year, not later than 5 years	14,373	49,490	15,213	94,433
Later than 5 Years	-	111,493	-	117,955
	15,213	**213,103**	**16,025**	**225,177**
Other:				
Not later than 1 year	8,040	41,170	7,441	47,109
Later than 1 year, not later than 5 years	28,053	105,182	34,031	108,724
Later than 5 Years	2,547	20,640	6,572	25,928
	38,640	**166,992**	**48,044**	**181,761**
Land:				
Not later than 1 year	-	272	-	2,187
Later than 1 year, not later than 5 years	-	1,403	-	2,891
Later than 5 Years	-	6,488	-	4,555
	-	**8,163**	**-**	**9,633**

21.3 Finance lease receivables

Amounts receivable under finance leases

Gross investments in leases

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than 1 year	-	1,953	-	1,439
Later than 1 year, not later than 5 years	-	8,084	-	6,542
Later than 5 Years	-	39,437	-	40,923
Less future finance income	-	(22,769)	-	(19,940)
Present value of minimum lease payments	-	**26,705**	-	**28,964**
Less cumulative provision for uncollectable payments:	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	-	**26,705**	-	**28,964**

Of minimum lease payments

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Within 1 year	-	1,367	-	476
Between 1 and 5 years	-	5,312	-	2,273
After 5 years	-	20,026	-	26,215
Less future finance income	-	-	-	-
Present value of minimum lease payments	-	**26,705**	-	**28,964**
Less cumulative provision for uncollectable payments:	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	-	**26,705**	-	**28,964**
included in:				
Current finance lease receivables	-	486	-	466
Non-current finance lease receivables	-	26,219	-	28,498
Sub total	-	**26,705**	-	**28,964**

Rental revenue

Contingent rent	-	2,632	-	2,430
Other	-	1,945	-	4
Total rental revenue	-	**4,577**	-	**2,434**

22 Commitments under PFI and LIFT contracts

Details of PFI and LIFT contracts in respect of each of the following categories are recorded in the individual accounts of relevant PCTs, NHS Trusts and NHS Foundation Trusts.

22.1 NHS LIFT schemes deemed to be off Statement of Financial Position

In this financial year, two PCTs reported off-Statement of Financial Position LIFT schemes (2011-12: four PCTs). The estimated capital value of these schemes is £2,558,000 (2011-12: £6,770,000). The assets which make up this capital value are not assets of the PCTs. The amount included within operating expenses for these schemes is £540,000 (2011-12; £1,123,000).

22.2 NHS LIFT schemes deemed to be on Statement of Financial Position

PCTs

In this financial year, 82 PCTs reported on-Statement of Financial Position LIFT schemes (2011-12; 80 PCTs). The assets of these schemes are treated as assets of the PCTs. The substance of each contract is that the PCT has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £54,936,000 (2011-12; £48,876,000).

NHS Trusts

In this financial year, 2 NHS Trusts (2011-12: 2 NHS Trusts) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the NHS Trust has a finance lease and payments comprise an imputed finance lease charge and a service charge.

Details of the individual LIFT schemes are included in the accounts of each NHS Trust.

Total obligations for the on-Statement of Financial Position NHS LIFT Schemes due:

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than 1 year	-	164,898	-	148,412
Later than 1 year, not later than 5 years	-	645,086	-	586,005
Later than 5 years	-	3,192,777	-	2,992,966
Sub total	-	**4,002,761**	-	**3,727,383**
Less: interest element	-	(2,231,996)	-	(2,099,642)
Total	-	**1,770,765**	-	**1,627,741**

22.3 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS LIFT Contracts

The total charged in the year to expenditure in respect of off-Statement of Financial Position NHS LIFT contracts and the service element of on-Statement of Financial Position NHS LIFT contracts was £55,786,000 (2011-12; £50,296,000).

The PCTs and NHS Trusts with NHS LIFT contracts are committed to the following total charges:

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
NHS LIFT Scheme Obligations				
Not later than 1 year	-	62,135	-	56,716
Later than 1 year, not later than 5 years	-	268,608	-	251,399
Later than 5 years	-	1,420,375	-	1,387,958
Total	**-**	**1,751,118**	**-**	**1,696,073**

22.4 PFI Schemes deemed to be off Statement of Financial Position

PCTs

In this financial year, no PCTs reported off-Statement of Financial Position PFI schemes (2011-12: Nil).

NHS Trusts

In this financial year, 5 NHS Trusts reported off-Statement of Financial Position PFI schemes (2011-12: four trusts). The estimated capital value of these schemes is £16,001,000 (2011-12: £16,001,000). The assets which make up this capital value are not assets of the individual organisations. The amount included within operating expenses for these schemes is £11,727,000 (2011-12 £12,659,000).

Details of the individual PFI schemes are included in the accounts of each NHS Trust.

NHS Foundation Trusts

The assets used to provide the services under the PFI schemes are not assets of the Foundation Trust. The gross amount included within operating expenses for these schemes is £7,304,000 (2011-12: £7,971,000). Details of the individual PFI schemes are included in the accounts of each Foundation Trust.

22.5 NHS PFI schemes deemed to be on Statement of Financial Position

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than 1 year	-	786,807	-	767,528
Later than 1 year, not later than 5 years	-	3,066,471	-	3,056,189
Later than 5 years	-	16,058,146	-	16,535,358
Sub total	-	**19,911,424**	-	**20,359,075**
Less: interest element	-	(9,997,242)	-	(10,272,371)
Total	-	**9,914,182**	-	**10,086,704**

PCTs and NHS Trusts

In this financial year, 27 PCTs and 44 NHS Trusts reported on-Statement of Financial Position PFI schemes (2011-12; 28 PCTs and 46 trusts). The assets of these schemes are treated as assets of the PCT/NHS Trust. The substance of each contract is that the PCT/Trust has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £525,983,000 (2011-12; £463,547,000).

Details of the individual PFI schemes are included in the accounts of each PCT and NHS Trust.

NHS Foundation Trusts

The assets of these schemes are treated as assets of the NHS Foundation Trust. The substance of each contract is that the organisation has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £439,511,000 (2011-12; £390,617,000).

Details of the individual PFI schemes are included in the accounts of each NHS Foundation Trust.

22.6 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS PFI contracts

The total charged in the year to expenditure in respect of off-Statement of Financial Position PFI contracts and the service element of on-Statement of Financial Position PFI contracts was £984,525,000 (2011-12; £874,794,000).

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
PFI Scheme Obligations				
Not later than 1 year	-	901,727	-	829,755
Later than 1 year, not later than 5 years	-	3,712,961	-	3,477,159
Later than 5 years	-	25,836,247	-	25,328,802
Total	-	**30,450,935**	-	**29,635,716**

23 Other Financial Commitments

	2012-13 £'000		2011-12 £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than 1 year	1,909,452	2,115,268	3,089,420	3,282,990
Later than 1 year, not later than 5 years	2,001,066	2,306,425	1,487,578	1,731,975
Later than 5 Years	55,046	156,028	84,226	150,851
	3,965,564	**4,577,721**	**4,661,224**	**5,165,816**

This note discloses commitments to future expenditure, not otherwise disclosed elsewhere in the financial statements. Included within other financial commitments are non cancellable contracts and purchase orders which commit the Department to revenue expenditure in a future period. Commitments to expenditure under other forms of agreement such as Memorandums of Understanding may be considered as commitments if they, in exceptional circumstances, effectively commit the Department to the expenditure as it would be reputationally or politically damaging for the Department to withdraw from the agreement. Any future funding within the Department's accounting boundary does not represent a financial commitment.

The Core Department's total committed future other expenditure is £3,966 million (2012-13 £4,661 million). The decrease is largely due to responsibility for the Learning Disability and Health Reform Grant, which has previously been allocated to local authorities by the Department, transferring to the Department for Communities and Local Government from 2013-14 (£1,374 million expenditure in 2012-13). There are also decreases in the committed expenditure from DH Informatics.

At the end of the reporting period, DH Informatics had entered into various contracts which, if delivered according to the terms of those contracts, would result in financial commitments of £702 million (2011-12: £1,042 million) over the next 5 years. The contracts relate to programmes managed under the programme formally known as the National Programme for IT, which will in the future continue to be delivered by DH Informatics, a Directorate of the Department of Health, for the purpose of bringing modern computing systems into the NHS to improve patient care and services. Over the life of the programmes, they will connect over 30,000 GPs in England and almost 300 hospitals, and will give patients access to their personal health and care information, transforming the way the NHS works. The contracts are such that the obligation to pay does not arise until the suppliers have successfully implemented solutions in the required locations, and it has been accepted after a period of live running.

There has been an increase in committed expenditure on Research and Development contracts, which has increased to £1,857 million (2011-12: £539 million), primarily due to a change in the methodology of calculating these commitments. These contracts are with a number of NHS organisations, universities and private research organisations. The purpose of research and development arrangements varies from the development of the health research workforce and research infrastructure in the NHS and the provision of research support by the NHS to specific research programmes or projects. The overall purpose of the work is to develop an evidence base for improved health care.

Additionally, the Department has entered into the following commitments; £467 million for the purchase of Childhood and Adult Vaccines and £225 million for Independent Sector Treatment Centres.

Of the total £3,966 million future financial commitment reported by the Core Department, a total of £14 million is committed to be spent with other bodies within the Accounting Boundary.

Of the Departmental Group's other financial commitments, £72 million, £50 million, £107 million and £338 million are within the accounts of Primary Care Trusts, NHS Trusts, NHS Business Service Authority and NHS Foundation Trusts respectively.

24 Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

Currency Risk

The Department undertakes certain transactions denominated in foreign currencies, the vast majority of which are transactions relating to European Economic Area (EEA) medical costs.

Due to delays in the submission of medical cost claims by member states (as per current EU regulations), the Department estimates annual medical costs and adjusts future years' expenditure when actual costs arise (are claimed). Estimated costs are converted into sterling at average rates calculated using EU published rates. Payments made are valued at prevailing exchange rates and the Department enters into forward contracts for the purchase of Euros for this purpose i.e. to mitigate risk of exposure to 'Sterling'/'Euro' exchange rate fluctuations. Amounts in the Statement of Financial Position at year-end are converted at the exchange rate ruling at the Statement of Financial Position date, with any exchange rate gains or losses calculated in accordance with accepted accounting practice.

Foreign currency forward purchase contracts are measured at 'fair value', with movements in fair value being charged or credited to the Consolidated Statement of Comprehensive Net Expenditure.

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

The Department did not have any forward currency contracts outstanding as at 31st March 2013, and so no financial asset existed at the Statement of Financial Position date.

The NHS sector is made up principally of domestic organisations with the great majority of transactions, assets and liabilities being in the UK and sterling based. Exposure to currency rate fluctuations is therefore low.

Liquidity risk

The income within the Department of Health Group mostly originates from Central Government and remains within the group. Due to the continuing service provider relationship that health bodies have with each other, they are not exposed to the degree of financial risk faced by business entities. NHS Trusts and Foundation Trusts, for example, generate their income from contractual arrangements with their commissioning NHS Primary Care Trusts based either on a tariff for services performed or on assumptions for the amount of work to be carried out.

Interest rate risk

The Departmental Group has limited exposure to Interest Rate Risk:

NHS Trusts borrow from government for capital expenditure, subject to affordability. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans rate, fixed for the life of the loan. NHS Trusts therefore have low exposure to interest rate fluctuations.

NHS Foundation Trusts have the power to enter into loans and working capital facilities with commercial lenders. They are also able to borrow from the Foundation Trust Financing Facility (FTFF), managed by the Department of Health. The term of FTFF loans can range up to 25 years with the interest rate fixed at the National Loan Fund fixed rate for the period of the loan prevailing on the date of signing of the loan agreement. NHS Foundation Trusts are required to maintain their borrowing within a limit determined by a code devised by Monitor.

Credit risk

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

25 Contingent Assets and Liabilities disclosed under IAS 37

25.1 Contingent Assets

It is probable the Department will receive "overage" payments following a portfolio transfer of almost 100 properties to the Homes and Communities Agency (HCA) between 2005 and 2007. A base payment of £320 million was received with further possible payments when the cash received from the subsequent sales of the properties by the HCA, less their costs of holding and disposal, exceeds the base payment. The HCA estimates that future overage payments in the region of £101 million may become payable to the Department, with £29 million of this overall figure being considered a highly probable future inflow of economic benefit.

Primary Care Trusts have £52,501,000 of contingent assets (2011-12: £54,071,000) mainly in respect of legal charges held on properties which have been purchased using grants from PCTs. Strategic Health Authorities have no contingent assets (2011-12: £0). NHS Trusts have contingent assets of £3,060,000 (2011-12: £1,813,000). Foundation Trusts have £1,715,000 of contingent assets (2011-12: £2,000,000).

25.2 Contingent Liabilities

The contingent liabilities considered most important to the users of the accounts are detailed below. Further information for all contingent liabilities can be found in the underlying accounts of individual bodies

Clinical Negligence
The Department is the actual or potential defendant in a number of actions regarding alleged clinical negligence, or liabilities relating to the NHS property or third parties. In some cases, costs have been provided for or otherwise charged to the accounts. In other cases, there is a large degree of uncertainty as to the Department's liability and the amounts involved. Possible total expenditure might be estimated at £10.42 billion (2011-12: £8.46 billion), although £9.86 billion (2011-12: £7.83 billion) relating to the Clinical Negligence Scheme for Trusts (CNST), Property Expense Scheme (PES)and Liability to Third Parties Scheme (LTPS) would be expected to be met by payments from NHS Trusts.

NHS Contingent Liabilities
Within Primary Care Trusts' accounts at 31 March 2013, there were net contingent liabilities of £660,531,000 (2011-12: £55,637,000). These are mainly in respect of continuing care liabilities.

Within NHS Trusts' accounts at 31 March 2013, there were net contingent liabilities of £77,826,000 (2011-12: £47,927,000). These are mainly in respect of legal and litigation claims.

Dr Foster
The joint venture contract between the Department and Dr Foster LLP includes a put option whereby if, anytime from 1 January 2009 to 31 December 2013, Dr Foster LLP shareholders wish to sell their share in the investment, the Department would be obliged to buy out their share of the business, at market value, if no other buyer can be found.

Social Enterprise Investment Fund (SEIF)
The Social Enterprise Investment Fund supports social enterprises involved in the delivery of health and social care services. Investment is available for new social enterprises to start up and existing social enterprises to grow and improve their service. By its nature the fund invests in organisations for which commercial bank support might not be readily available in order to bridge the gap between business and service need and commercial risk. Therefore, it is prudent to acknowledge that although there is a strict due diligence process in place to mitigate risk of default, there may be some level of default on SEIF loan assets. At 31 March 2013 there is no indication that any defaults will occur other than that specifically provided for in the accounts.

Nursing and Midwifery Council
The Department has recorded a contingent liability in relation to the Nursing and Midwifery Council pension scheme. As an employer in the NMC Scheme, the Department is liable to pay a proportion of any funding shortfall that arises following the Scheme's Actuarial valuation. It is unlikely that the next valuation will be published until 2014, which will take into account the Scheme's liabilities as at 31 March 2013 and therefore it is unlikely that any liabilities will crystallise before 2015.

Injury Benefit Scheme

An investigation into the administration of the injury benefits scheme began in 2006 following a decision by the Pensions Ombudsman. As a result of the review, monies were due to be paid to some 10,000 people who had not received the correct payments due to irregularities in the administration of the injury benefits scheme between 1972 and 2006. Due to difficulties in contacting beneficiaries, it has not been possible to make full payment to all the affected individuals in this financial year. There are still people for whom the Department retains a financial liability but who currently cannot be traced. This financial liability currently stands in the region of £2,500,000. Although at this stage the Department cannot estimate how many of these claims will be successful nor how much benefit will eventually be owed.

Other

There are a number of recorded contingent liabilities relating to changes in funding arrangements between the Department and other bodies. These cases relate to potential costs for terminating contracts early but as these contracts may transfer to new organisations, a reliable estimate of costs or timings cannot be made.

26 Contingent Liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability purposes

26.1 Quantifiable

The Department of Health has entered into the following quantifiable contingent liabilities by offering indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39. HM Treasury's guidance *Managing Public Money* requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2012		Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2013 Cost	31 March 2013 Number	Amount reported to Parliament by departmental Minute
	£'000	No.	£'000	£'000	£'000	£'000	No.	£'000
Guarantees:	1,500	1	-	-	(1,500)	1,500	-	-
Indemnities:	95,000	3	500	-	(52,500)	43,000	2	4,300
Letters of comfort								
	96,500	**4**	**500**	**-**	**(54,000)**	**44,500**	**2**	**4,300**

26.2 Unquantifiable

The Department of Health has entered into a number of unquantifiable or unlimited contingent liabilities with various health bodies and private companies. There were 26 unquantifiable indemnities. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote. Full details of these can be found in the Statement of Contingent or Nominal Liabilities held at the Department.

27 Losses and Special Payments and other Accounting Notes

27.1 Losses Statement

	2012-13 £'000		2011-12 £'000	
	Cases	Total	Cases	£'000
Total	91,478	756,895	89,434	292,849
Cases over £250,000				
Cash losses	3	1,586	3	2,058
Claims abandoned	5	9,070	2	1,830
Cancellation of Public Dividend Capital (PDC)	7	528,877	1	32,869
Administrative write-offs	4	5,296	-	-
Fruitless payments	4	3,023	7	27,178
Constructive Loss	5	31,753	8	67,229
Store losses	2	995	-	-
Of the total the following relates to the Core Department	113	693,131	118	235,132

Department of Health Share of National Insurance Contribution Losses
Included within its total losses, the Department has recorded a technical loss of £123,925,000, which is its share of the overall, cross-Government loss relating to National Insurance Contributions (NICs). Such losses occur when contributions cannot be collected because companies have ceased to exist during the year. Her Majesty's Revenue & Customs (HMRC) allocates this category of loss to those Departments which are partially funded from NICs, on a proportional basis. It should be noted that the disclosure of this category of loss is a technical requirement which is completely outside the Department's control.

Cancellation of Public Dividend Capital (PDC)
As PDC is issued to NHS Trusts and Foundation Trusts under specific statutory powers given to the Department it can only be written off by formal notice to Parliament, known as a HM Treasury Minute. In 2012-13, £528,877,000 of Public Dividend Capital (PDC) was cancelled by means of a HM Treasury Minute laid before Parliament. This was the outstanding PDC of seven National Health Service Trusts that were dissolved during the year.

Barts and the London NHS Trust, Newham University Hospital NHS Trust, Whipps Cross University Hospital NHS Trust and Trafford Healthcare NHS Trust, were dissolved on 1 April 2012, Scarborough and North East Yorkshire NHS Trust was dissolved on 1 July 2012, Oxford Learning Disability NHS Trust was dissolved on 1 November 2012, and Great Western Ambulance Service NHS Trust was dissolved on 1 February 2013.

Three new Trusts were established on 1 April 2012. Only one of the new Trusts was issued £145,855,000 of PDC in the form of Originating Capital (OC) by means of a Statutory Instrument (SI 2013/569). The other two new Trusts were created from the provider functions of Primary Care Trusts, under the Transforming Community Services programme, and established with no net assets. Their Originating Capital was therefore set as nil.

The table below sets out the Trusts that were dissolved and created, the PDC cancelled and Originating Capital created.

Summary of cancelled Public Dividend Capital and Originating Capital issued in respect of new establishments

NHS Trusts dissolved and established (established trusts shown in bold)	Total PDC to be Cancelled £'000	Originating Capital (set for new NHS Trusts only) £'000
Barts and the London National Health Service Trust	146,293	
Newham University Hospitals National Health Service Trust	75,485,	
Whipps Cross University National Health Service Trust	129,035	
Barts Health National Health Service Trust		**145,855**
Isle of Wight national Health Service Trust		**nil**
Torbay and Southern Devon Health and Care National Health Service Trust		**nil**
Great Western Ambulance Service National Health Service Trust (merged with South Western Ambulance Services NHS Foundation Trust)	35,169	
Oxford Learning Disability National Health Service Trust (merged with Southern Health NHS Foundation Trust)	3,901	
Scarborough and North East Yorkshire National Health Service Trust (merged with York Teaching Hospital NHS Foundation Trust)	79,024	
Trafford Healthcare National Health Service Trust (merged with Central Manchester University Hospitals NHS Foundation Trust)	59,970	
TOTALS	**528,877**	**145,855**

The difference between the cancelled PDC of £528,877,000 and the newly created originating capital of £145,855,000 reflects movements in the composition and valuation of the net assets of the dissolved Trusts in the years since initial establishment and the net value of assets transferred from dissolved Trusts to Foundation Trusts under absorption accounting. There is consequently no overall loss of PDC.

Fruitless payment

Homerton University Hospital Trust (HUH) had contracted with British Telecom (BT) under the London Programme for IT. As part of the reconfiguration of London Trusts it was assumed that the HUH, Newham Hospital (NH) and Whipps Cross Hospital would merge into a single organisation, therefore in August 2012 BT commenced work on a data transfer for the Newham and Homerton services. Negotiations with BT to determine a like for like solution failed to come to a conclusion and therefore HUH withdrew from the programme. BT had incurred £1,020,000 of gross committed costs in relation to the programme which DH Informatics were liable for.

Constructive losses

Emergency Preparedness Stockpile

The Department authorised write-offs relating to date expired stock items in line with existing accounting standards. The Department holds countermeasures inventory for use in the event of an accidental or malicious release of chemical, biological, radiological or nuclear agents. If no such incidents occur the inventory inevitably reaches the end of its useable life and needs to be disposed of and replaced in order to maintain a measure of protection for the UK's population. The value of inventory written-off in the period April 2012 to March 2013 due to expiration of their shelf life was £11,681,068.

Pandemic Flu Countermeasures Stockpile
The Department wrote-off £12,754,975 in relation to countermeasures held for pandemic flu preparedness that have now passed their shelf life. These write offs are a planned consequence of our preparedness strategy that involves central stockpiling.

Strategic Reserve of Flu Vaccine
The Department procured a strategic reserve of flu vaccine for possible use during the 2011-12 flu season. The reserve acted as an insurance policy over possible supply issues which could have adversely impacted the routine flu programme, and in this context, it was expected that the reserve would form a constructive loss once the vaccine expired. The vaccine was not used and has now date expired, with a loss of £1,677,360 having been recorded accordingly.

Essential Medicines Stockpile
The Department wrote off stock valued at £693,006 relating to DH stockpile stock which suppliers were unable to repurchase due to reduced market demand. The Department continues to minimise stock losses whilst maintaining an effective stockpile.

Consolidated Fund Extra Receipts written off
The Second Amended and Restated Project Agreement (SARPA) contract with Computer Sciences Corporation (CSC), Local Service Provider (LSP) for the North, East and East Midlands contained an agreement for CSC to pay interest at 5% on balances outstanding paid to them as advance payments. These amounts were never actually paid to DH Informatics but were accrued in the DH Annual Report and Accounts and earmarked for surrender to HM Treasury as Consolidated Fund Extra Receipts (CFER). As part of the interim agreement with CSC signed during 2012-13, DH Informatics agreed to waive £7,278,579.86 of the accrued debtor.

NHS Losses
Losses within the NHS are predominantly within Foundation Trusts (60,811 cases totalling £28,764,000), NHS Trusts (19,669 cases totalling £17,831,000), Primary Care Trusts (3,158 cases totalling £10,223,000) and Strategic Health Authorities (42 cases totalling £93,000).

27.2 Special Payments

	2012-13		2011-12	
		£'000		£'000
	Cases	£'000	Cases	£'000
Total	11,036	38,152	10,706	139,300
Details Of Cases Over £250,000	8	2,667	4	105,394
Of the total the follow ing relates to the Core Department	13	29	17	100,177

NHS Special Payments
Special payments within the NHS are predominantly within NHS Foundation Trusts (6,045 cases totalling £18,837,000), NHS Trusts (4,453 cases totalling £11,101,000), Primary Care Trusts (245 cases totalling £4,487,000) and Strategic Health Authorities (35 cases totalling £3,410,000).

28 Related Party Transactions

Related party transactions associated with the Core Department are disclosed within this note. Details of related party transactions associated with other bodies within the Departmental Group are disclosed in their underlying statutory accounts. As disclosed in Note 33, the Department acts as the parent of the group of organisations (Strategic Health Authorities, Primary Care Trusts, NHS Trusts, NHS Foundation Trusts, Executive Non-Departmental Public Bodies and Special Health Authorities) whose accounts are consolidated within this Annual Report and Account. It also acts as the sponsor for the trading funds which are not consolidated. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department had a small number of transactions with other Government Departments and other central Government bodies in 2012-13.

A number of Ministers, Non-Executive Directors and members of either the Departmental Board or Department of Health Management Committee have connections with a wide range of outside organisations for reasons unrelated to their work in the Department. In the normal course of its business during the year, the Department may enter into business transactions with such outside organisations or related parties. In cases where an individual within DH has an outside connection with one of these related parties, the Department is obliged to disclose the extent of its own transactions with those organisations, as set out in the table below:

	Sub Note	Payables with related party 2012-13 £'000	Purchases from related party 2012-13 £'000	Receivables with related party 2012-13 £'000	Sales to related party 2012-13 £'000
Age UK	1	-	-	1,550	-
Birmingham Children's Hospital	2	-	-	1,288	-
Cruse Bereavement Care, Norwich	3	-	-	138	-
Cumberland Lodge (charitable foundation)	4	-	-	4	-
IMC	5	-	-	1,313	-
London School of Economics	6	38	13	2,031	-
Medical Research Council	7	11,421	-	9,613	-
Queen's Nursing Institute	8	-	-	148	-
The Royal College of General Practitioners	9	-	-	588	-
The Royal College of Physicians	10	203	-	301	103
Unitied Utilities Group Plc	11	-	-	5	-
University of Birmingham, Health Service Management	12	2	-	-	-

Sub Note

1) Dan Poulter's partner holds a position at Age UK (a registered charity)
2) Sir David Nicholson's wife is the Chief Executive of Birmingham Children's Hospital NHS Foundation Trust
3) Norman Lamb's wife holds a position at Cruse Bereavement Care (a registered charity)
4) Dame Sally Davies is a Trustee of Cumberland Lodge (a charitable foundation)
5) Peter Sands is the Co-Chair of IMC
6) Catherine Bell is a Governor of the London School of Economics
7) Dame Sally Davies is a Council Member of Medical Research Council
8) Dame Christine Beasley is a fellow at Queen's Nursing Institute
9) Sir David Nicholson is an Honorary Fellow at the Royal College of General Practitioners
10) Fiona Adshead holds a position at Royal College of Physicians
11) Catherine Bell is a Non Executive Director for United Utilities Group Plc
12) Sir David Nicholson is an Honorary Fellow at the University of Birmingham Health Service Management Centre

The sub-note above identifies those individuals with outside connections to the organisations listed in the table. It is important to note that the financial transactions disclosed were between the Department itself and the named organisation. The individuals named in the sub-note have not benefited from those transactions.

Apart from where disclosed in this note, no other Minister, Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

29 Third Party Assets

	1 April 2012	Net in-year movement	31 March 2013
	£'000	£'000	£'000
Monetary assets			
Bank balances	102,770	(69,801)	32,969
Monies on deposits	9,578	888	10,466
Total	**112,348**	**(68,913)**	**43,435**

Third party assets are those which do not belong to the Department and are therefore not included in the financial statements. The above third party monetary assets, at 31 March 2013, were held by the Department of Health (but are not included in the financial statements) and include £30,817,000 held by NHS Foundation Trusts (2011-12: £85,931,000), £9,841,000 held by NHS Trusts (2011-12: £8,404,000) and £160,000 held by NHS Primary Care Trusts (2011-12: £1,358,000) in banks and in hand in respect of monies held on behalf of patients. They also include £2,617,000 (2011-12: £16,654,000) held by the Department of Health in Escrow accounts relating to DH Informatics Directorate. These amounts are in relation to service and delay deductions and are calculated in line with the contractual clauses in respect of Service Level Agreements and Key Milestone dates.

30 Pensions

30.1 Movements in defined benefit obligation and fair value of plan assets

Reconciliation of movements in the defined obligation and the fair value of plan assets during the year for the amounts recognised in the Statement of Financial Position

	2012-13 £'000	2011-12 £'000
Present value of the defined benefit obligation at 1 April 2012	(396,674)	(328,648)
Prior period adjustments in underlying accounts	155	-
Transfers under absorption accounting	(28,646)	-
Current Service Costs	(8,673)	(7,660)
Interest Costs	(17,694)	(18,220)
Contribution from scheme members	(2,490)	(2,877)
Actuarial Gains and (Losses)	(19,736)	(39,153)
Benefits paid	9,664	8,118
Business combinations	13,400	(905)
Past Service Costs	(54)	-
Settlements and curtailments	28,527	(7,329)
Other	853	-
As at 31 March 2013	**(421,368)**	**(396,674)**
Pension Assets		
Plan assets at fair value at 1 April 2012	309,090	306,980
Prior period adjustments in underlying accounts	(1)	-
Transfers under absorption accounting	15,248	-
Expected Return on Assets	17,139	20,820
Actuarial Gains and (Losses)	26,211	(21,150)
Adjustments by the- employer	6,770	6,889
Contributions by the plan participants	2,490	2,877
Benefits paid	(9,664)	(8,118)
Business combinations	(766)	792
Settlements	(15,248)	-
As at 31 March 2013	**351,269**	**309,090**
Plan surplus/(deficit) at 31 March 2013	**(70,099)**	**(87,584)**

Footnote
1) A net pension liability of £13.4 million was transferred to the Department of Health under absorption accounting following the abolition of the General Social Care Council (GSCC) on 1 August 2012. The net liability was subsequently settled in full by the Department.

30.2 Amounts recognised in the Consolidated Statement of Net Expenditure

	2012-13 £'000	2011-12 £'000
Current service cost	(8,673)	(7,660)
Interest cost	(17,694)	(18,220)
Expected return on assets	17,139	20,820
Past service costs	(54)	-
Settlement or curtailment	13,279	(7,329)
Total	**3,997**	**(12,389)**

Included within the above pensions note are the pension obligations held by NHS Foundation Trusts, Care Quality Commission, General Social Care Council (GSCC) and the Department of Health. The pension obligations held by GSCC transferred to the Department of Health when the GSCC was abolished on 1 August 2012. The planned Surplus/ (Deficit) can be broken down as follows:

	2012-13 £'000	2011-12 £'000
NHS Foundation Trusts	(8,866)	(5,633)
Care Quality Commission	(61,233)	(67,768)
General Social Care Council	-	(14,183)
Total Surplus/(Deficit)	**(70,099)**	**(87,584)**

Further information regarding these pension obligations can be found in the underlying financial statements of these bodies.

31 NHS Charities

Following the inclusion of NHS Charities (as defined by section 43 of the Charities Act 1993) as amended in the 2012 Designation order, the Department consolidates NHS Charities into the Consolidated Annual Report and Accounts. This note shows the income, expenditure, assets, liabilities and reserves associated with the NHS Charities sector in isolation. As such the "Total resources expended" figure will not match that in the Consolidated Statement of Comprehensive Net Expenditure, as this statement incorporates the elimination of inter-company trading with other bodies within the Departmental Group. The inter-company transactions eliminated between NHS Charities and other Group bodies totalled £87.870 million in 2012-13 (£88.102 million in 2011-12).

31.1 Charitable Income and Expenditure for the year ended 31 March 2013

	NHS Charities	
	2012-13	2011-12
	£'000	£'000
Total resources expended	291,685	291,584
Total incoming resources	(304,595)	(288,975)
Net outgoing / (incoming) resources for the year ended 31 March 2013	**(12,910)**	**2,609**
Other Comprehensive Net Expenditure		
Net (gain) / loss on revaluation of charitable assets	(47,569)	(15,890)
Total Comprehensive Expenditure for the year ended 31 March 2013	**(60,480)**	**(13,281)**

31.2 Summary Charitable Statement of Financial Position as at 31 March 2013

			NHS Charities
	2013 £'000	2012 £'000	2011 £'000
Non-current assets			
Charitable investments	1,611,121	1,588,175	1,732,202
Other charitable non-current assets	158,974	153,861	140,512
Total non-current assets	**1,770,095**	**1,742,036**	**1,872,714**
Current assets			
Charitable cash	303,054	256,839	203,074
Other charitable current assets	161,267	170,309	179,776
Total current assets	**464,321**	**427,148**	**382,850**
Total assets	**2,234,416**	**2,169,184**	**2,255,564**
Current charitable liabilities	(166,731)	(173,205)	(264,192)
Non-current assets plus/less net current assets/liabilities	**2,067,685**	**1,995,979**	**1,991,372**
Non-current charitable liabilities	(74,531)	(80,605)	(45,192)
Assets less liabilities	**1,993,154**	**1,915,374**	**1,946,180**
Total charitable reserves	**1,993,154**	**1,915,374**	**1,946,180**

31.3 Charitable Financial Assets - Investments

		NHS Charities
	2013 £'000	2012 £'000
Balance as at 1 April	**1,588,175**	**1,732,202**
Acquisitions	232,921	278,876
Disposals	(258,578)	(293,877)
Net gain/loss on revaluation	41,656	(1,558)
Impairment	397	(64)
Other movements	6,550	(127,404)
Balance as at 31 March	**1,611,121**	**1,588,175**

32 Events after the Reporting Period

The Accounts were authorised for issue by the Accounting Officer on the 12 July 2013.

The Health and Social Care Act 2012 abolished Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) on 1st April 2013. Most of the functions they performed in the NHS system are continuing and will be performed by other NHS organisations from 2013-14. The total closing net liabilities (PCTs £275 million, SHAs £119 million) transferred to these organisations through transfer schemes on 1 April 2013, and where functions are not continuing, the assets and liabilities passed to the Department. The transfers to the receiving organsiations will be accounted for in the 2013-14 accounts.

From 1 April 2013 NHS Property Services Ltd (NHSPS) and Community Health Partnerships Ltd (CHP) will be reclassified to central government, and will move inside the DH accounting boundary. This change in status is a result of the impact of asset transfers from PCTs and SHAs prior to abolition. Approximately £2 billion of LIFT assets (shareholdings and leases) has transferred from PCTs to CHP, and approximately £4 billion to NHSPS. This does not have a material impact on the DH group account as such assets were previously accounted for by the transferor.

From 1 April 2013 the Health and Social Care Information Centre became an Executive Non-Departmental Public Body with an expanded remit to support the delivery of IT infrastructure, information systems and standards to ensure information flows efficiently and securely across the health and social care system. In this role it has taken over functions of DH Informatics Directorate and local informatic functions previously delivered by SHAs.

33 Entities within the Departmental boundary

Ministers had some degree of responsibility for the following bodies during the year 2012-13

Consolidated in the Department's Annual Report and Accounts

Supply financed agencies

Other Bodies

- Strategic Health Authorities[1]
- Primary Care Trusts[2]
- NHS Trusts
- NHS Foundation Trusts
- NHS Direct
- Skipton Fund Limited
- NHS Charities

Special Health Authorities:

- NHS Business Services Authority
- The Information Centre
- National Institute for Health and Clinical Excellence
- NHS Litigation Authority
- National Treatment Agency for substance misuse[3]
- National Patient Safety Agency[4]
- NHS Institute for Innovation and Improvement[5]
- NHS Commissioning Board Authority [8]
- Health Research Authority[11]
- National Health Service Trust Development Authority
- Health Education England

Executive Non-Departmental Public Bodies

- Appointments Commission[6]
- Human Fertilisation and Embryology Authority
- General Social Care Council[7]
- Health Protection Agency[9]
- Care Quality Commission
- Independent Regulator of NHS Foundation Trusts
- Professional Standards Authority for Health and Social Care 10
- Human Tissue Authority
- NHS Commissioning Board

DH advisory committees/advisory NDPBs

These advisory bodies/advisory NDPBs are not separate legal entities, rather they are part of the Core Department with their associated costs being included within the Core Department account. As such, they are not separately consolidated into these financial statements.

- Administration of Radioactive Substances Advisory Committee
- Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infection
- Advisory Committee on Dangerous Pathogens (DH)
- Advisory Group on Hepatitis
- Committee on Carcinogenicity of Chemicals in Food, Consumer Products and the Environment
- Committee on the Medical Aspects of Radiation in the Environment
- Committee on the Mutagenicity of Chemicals in Food, Consumer Products and the Environment
- Committee on the Medical Effects of Air Pollutants (DH)
- Expert Advisory Group on AIDS
- Expert Group on Vitamins and Minerals
- Gene Therapy Advisory Committee
- Human Genetics Commission
- Joint Committee on Vaccination and Immunisation
- NHS Commissioning Board
- The NHS Pay Review Body
- Review Body on Doctors' and Dentists' Remuneration
- Scientific Advisory Committee on Nutrition

Not Consolidated

Trading Funds

- Medicines & Healthcare Products Regulatory Agency
- NHS Blood and Transplant

DH Controlling Equity Investments[12]

- Plasma Resources UK
- Credit Guarantee Fund
- Dr Foster Intelligence Ltd
- NHS Professionals Ltd
- SBS
- Community Health Partnerships
- NHS Property Services Limited

1) Strategic Health Authorities were abolished on 1 April 2013.

2) Primary Care Trusts were abolished on 1 April 2013.

3) The National Treatment Agency for substance misuse was abolished on 1st April 2013, and most of its functions transferred to Public Health England. Public Health England is a new executive agency of the Department of Health, set up on the 1st April 2013.

4) The National Patient Safety Agency was abolished on the 1 June 2012 and its key functions and expertise transferred to the NHS Commissioning Board.

5) The NHS Institute for Innovation and Improvement was abolished 31st March 2013 with its functions transferred to the NHS Commissioning Board.

6) The Appointments Commission has been abolished with its residue functions transferred within Government.

7) The General Social Care Council was abolished on 1st August 2012 and its functions transferred to the Health Professions Council.

8) The NHS Commissioning Board Special Health Authority was established on 31 October 2011 and ceased to exist on the 31st October 2012 with its functions transferred in full to the NHS Commissioning Board Non Departmental Public Body which was established on the 31 October 2012. The NHS Commissioning Board is known as NHS England from 1 April 2013, when the health and social care reforms came into effect.

9) The Health Protection Agency was dissolved and its functions transferred within Government on 1st April 2013.

10) Until 30 November 2012 the Professional Standards Authority for Health and Social Care was known as the Council for Healthcare Regulatory Excellence

11) The Health Research Authority was established as a Special Health Authority on 1 December 2011.

12) The Department holds a 50% or more controlling equity investment in the bodies listed, the detail of which can be found in Note 13 - Financial Assets.

The Annual Reports and Accounts of the bodies listed can be obtained from the following places:

Strategic Health Authorities	Available on the website of the relevant organisation.
Primary Care Trusts	Available on the website of the relevant organisation.
NHS Trusts	Available on the website of the relevant organisation.
NHS Foundation Trusts	Available on the website of the relevant organisation. Additionally the Consolidated Account of Foundation Trusts is available at: http://www.monitor-nhsft.gov.uk/home/our-publications/reports-about-foundation-trusts/nhs-foundation-trusts-review-and-conso
NHS Direct	http://www.nhsdirect.nhs.uk/en/About/OperatingStatistics
Skipton Fund Limited	http://www.skiptonfund.org/resources.php
NHS Business Services Authority	http://www.nhsbsa.nhs.uk/annual_report.aspx
The Information Centre	http://www.ic.nhs.uk/about-us/more-about-us/corporate-documents
National Institute for Health and Clinical Excellence	http://www.nice.org.uk/aboutnice/whatwedo/corporatepublications/annualreports/annualreports.jsp
NHS Litigation Authority	http://www.nhsla.com
National Treatment Agency for substance misuse	http://www.nta.nhs.uk/publications.aspx?category=Corporate
National Patient Safety Agency	http://www.ncas.npsa.nhs.uk/publications/
NHS Institute for Innovation and Improvement	http://www.institute.nhs.uk/organisation/about_nhsi/about_the_nhs_institute.html
NHS Commissioning Board	http://www.commissioningboard.nhs.uk/category/news/
Health Research Authority	http://www.nres.nhs.uk/hra/hra-publications/
Appointments Commission	http://www.official-documents.gov.uk
Human Fertilisation and Embryology Authority	http://www.hfea.gov.uk/146.html
General Social Care Council	http://www.official-documents.gov.uk
Health Protection Agency	http://www.hpa.org.uk/Publications/CorporateReports/
Care Quality Commission	http://www.cqc.org.uk
Independent Regulator of NHS Foundation Trusts	http://www.monitor-nhsft.gov.uk
Council for Healthcare Regulatory Excellence	http://www.chre.org.uk
Human Tissue Authority	http://www.hta.gov.uk/publications/annualreviewsandreports.cfm
Medicines & Healthcare Products Regulatory Agency	http://www.mhra.gov.uk/Publications/Corporate/index.htm
NHS Blood and Transplant	http://www.nhsbt.nhs.uk/annualreview/
National Health Service Trust Development Agency	http://www.ntda.nhs.uk/
Health Education England	http://www.hee.nhs.uk/

Annex A

GLOSSARY OF IFRS TERMS

The adoption of International Financial Reporting Standards (IFRS) from 2009-10 has brought with it some changes in terminology. The following is a list of new IFRS terms and the names by which they were previously known under UK Generally Accepted Accounting Practice (UK GAAP):

IFRS name	UK GAAP name
Consolidated Statement of Comprehensive Net Expenditure	Operating Cost Statement
Statement of Financial Position	Balance sheet
Non-current assets	Fixed Assets
Inventories	Stocks
Receivables	Debtors
Payables	Creditors
Property, plant and equipment	Tangible assets

GLOSSARY OF GOVERNMENTAL TERMS

Administration Limit An overall limit applied to administration costs within the Department which should not be exceeded by the administration expenditure for the year.

Annually Managed Expenditure (AME) A Treasury budgetary control for spending that is generally difficult to control, large as a proportion of the Department's budget, and volatile in nature.

Comptroller & Auditor General Head of the National Audit Office. Responsible for auditing the Department's Resource Accounts and NHS Summarised Accounts.

Consolidated fund The Treasury's account at the Bank of England which is used by most Government Departments for processing payments or receipts.

Consolidated Fund Extra Receipts (CFERs) Receipts which the Department cannot use to finance expenditure and which are surrendered to the Consolidated Fund. CFERs can be revenue or capital in nature.

Core Department The Department of Health only. It does not include any of the bodies listed in Note 33.

Departmental Expenditure Limit (DEL) A Treasury budgetary control for spending that is within the Department's direct control and which can therefore be planned over an extended (Spending Review) period (such as the costs of its own administration, payments to third parties, etc).

Estimate A summary of the resources and cash voted by Parliament to the Department for a particular year and against which expenditure is monitored. It is analysed by Requests for Resources, each being monitored separately.

General Fund The General Fund represents the historic cost of the total assets less liabilities of the Department, to the extent that it is not represented by other reserves and financing items. It is included in Taxpayer's Equity on the Statement of Financial Position.

Net Cash Requirement The amount of cash required and authorised from the Consolidated Fund for the Department to carry out the functions specified in the Estimate. Actual cash used during the year is described as the outturn of the net cash requirement.

Net Resource Outturn This is the net total of income and expenditure consumed by the Department during the financial year.

Programme costs Programme costs include the running costs of NHS bodies funded directly by the Department but otherwise reflect non-administration costs, including payments of grants and other disbursements by the Department.

Arms Length Bodies

Arms Length Bodies are organisations set up by the Department to complete specific and specialised functions on behalf of the Department.

The Department of Health has two types of Arms Length Bodies:

1) Special Health Authority – these organisations are funded by the Department through Parliamentary Funding
2) Non Departmental Public Body – theses organisations are funded by the Department through Grant in Aid.

Annex B (not subject to audit)

GOVERNMENT CORE TABLES

1 The following "Core Tables" are a common set of tables included in Annual Reports by all Government departments, showing total departmental spending, plan and outturn on the Department's public spending totals, total capital employed, and total administration budget. The figures in core tables 1 and 2 are from HM Treasury's public expenditure database OSCAR. Table 1a provides a revised TDEL calculated to exclude spending for functions that have transferred out of DH that were originally included within either the Plans or Spending Outturns. This is consistent with Treasury publications.

Core Table 1 Public Spending

£'000

	2007-08 Outturn [4,5]	2008-09 Outturn [4,5]	2009-10 Outturn [4,5]	2010-11 Outturn [4,5]	2011-12 Outturn [4,5]	2012-13 Outturn	2013-14 Plans [2]	2014-15 Plans
Resource DEL	84,207,717	90,156,640	97,075,200	100,285,421	101,591,799	103,948,229	108,155,463	111,056,518
of which depreciation 3	*733,404*	*971,188*	*1,187,318*	*1,209,739*	*1,193,265*	*1,131,511*	*1,224,240*	*1,268,313*
Resource AME	3,679,949	1,588,034	3,699,212	3,206,771	3,193,102	5,775,114	3,033,420	2,555,453
of which depreciation3	*548,759*	*386,765*	*2,499,236*	*1,000,777*	*716,384*	*1,029,549*	*600,000*	*700,000*
Total Resource	**87,887,666**	**91,744,674**	**100,774,412**	**103,492,192**	**104,784,901**	**109,723,343**	**111,188,883**	**113,611,971**
Capital DEL	3,966,103	4,368,533	5,182,275	4,158,605	3,771,269	3,782,882	4,437,000	4,648,000
Capital AME	37,142	13,831	6,441	7,876	-	-	-	-
Total Capital	**4,003,245**	**4,382,364**	**5,188,716**	**4,166,481**	**3,771,269**	**3,782,882**	**4,437,000**	**4,648,000**
Total departmental spending	**90,608,748**	**94,769,085**	**102,276,574**	**105,448,157**	**106,646,521**	**111,345,165**	**113,801,643**	**116,291,658**
of which 1:								
Total DEL	87,440,416	93,553,985	101,070,157	103,234,287	104,169,803	106,599,600	111,368,223	114,436,205
Total AME	3,168,332	1,215,100	1,206,417	2,213,870	2,476,718	4,745,566	2,433,420	1,855,453

Notes

1 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME plus capital budget AME less depreciation in AME.

2. A breakdown of the 2013-14 plan data is set out in the 2013-14 Main Estimate(http://www.hm-treasury.gov.uk/d/doh_mainsupplyestimates_201314.pdf)

3. Includes impairments

4. The outturn figures for 2007-08 to 2010-11 include Resource DEL PSS of 1,782 / 1,280 / 1,364 / 1,471 and Capital DEL 213 / 141 / 134 / 118

5. For presentational purposes, the outturn for 2007-08 to 2009-10 includes the Machinery of Government transfer from the Food Standards Agency. This transfer actually took effect funding 2010-11.

6. All the figures in the core tables are taken from HM Treasury's (HMT) public expenditure database "OSCAR".

7. Figures may not sum due to rounding.

1a DH Spending - excluding agreed transfers to DCLG

£'000

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Resource DEL	**84,207,717**	**90,156,640**	**97,075,200**	**100,285,421**	**101,591,799**	**103,948,229**	**108,155,463**	**111,056,518**
Adjustments -								
Spending Review 2010 transfer to DCLG re PSS (from 2011-12)	- 1,782,416	- 1,280,872	- 1,363,966	- 1,471,058				
Machinery of Government transfer to DCLG re Learning Disability and Health Reform Grant (from 2013-14)	- 1,206,234	- 1,253,164	- 1,288,752	- 1,345,000	- 1,325,914	- 1,378,364	- 1,412,710	- 1,447,914
Revised Resource DEL	**81,219,067**	**87,622,604**	**94,422,482**	**97,469,363**	**100,265,885**	**102,569,865**	**106,742,753**	**109,608,604**
of which depreciation	*717,673*	*951,571*	*1,185,285*	*1,209,702*	*1,193,265*	*1,131,511*	*1,224,240*	*1,268,313*
Resource AME	3,679,949	1,588,034	3,699,212	3,206,771	3,193,102	5,775,114	3,033,420	2,555,453
of which depreciation	*548,759*	*386,765*	*2,499,236*	*1,000,777*	*716,384*	*1,029,549*	*600,000*	*700,000*
Total Resource (revised)	**84,899,016**	**89,210,638**	**98,121,694**	**100,676,134**	**103,458,987**	**108,344,979**	**109,776,173**	**112,164,057**
Capital DEL	3,966,103	4,368,533	5,182,275	4,158,605	3,771,269	3,782,882	4,437,000	4,648,000
Capital AME	37,142	13,831	6,441	7,876	-	-	-	-
Total Capital	**4,003,245**	**4,382,364**	**5,188,716**	**4,166,481**	**3,771,269**	**3,782,882**	**4,437,000**	**4,648,000**
Total departmental spending (revised)	**87,635,829**	**92,254,666**	**99,625,889**	**102,632,136**	**105,320,607**	**109,966,801**	**112,388,933**	**114,843,744**
of which:								
Total DEL	84,467,497	91,039,566	98,419,472	100,418,266	102,843,889	105,221,236	109,955,513	112,988,291
Total AME	3,168,332	1,215,100	1,206,417	2,213,870	2,476,718	4,745,566	2,433,420	1,855,453

Notes

1. The revised TDEL calculated in this table excludes spending for functions that have transferred out of DH that were originally included within either the Plans or Spending Outturns. This presentation is consistent with HM Treasury publications.

2. SR10 Transfer for PSS spending has been transferred to Department for Communities and Local Government. This transfer was effective from 2011-12

3. MOG transfer for the Learning Disability and Health Reform Grant has been transferred to the Department for Communities and Local Government. This transfer was effective from 2013-14.

Spending by local authorities on functions relevant to the department

£'000

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Current spending								
of which:								
financed by grants from budgets above	1,795,016	1,201,069	1,227,118	1,454,426	136,145	93,611		
Capital spending								
of which:								
financed by grants from budgets above	158,571	163,558	257,117	181,954	155,012	151,231	129,755	

Core Table 2 Public Spending Control

£'000

	2012-13 Original plan	2012-13 Final plan	2012-13 Outturn [2]
Resource DEL	105,474,995	105,474,898	103,948,229
Capital DEL	4,495,435	4,495,434	3,782,882
Resource AME	3,948,792	5,868,302	5,775,114
Capital AME	-	-	-

Notes

1. All figures in the core table are taken from HM Treasury's (HMT) public expenditure database "OSCAR".
2. Outturn is reported against Final Plans before the effect of the Machinery of Government transfer to the Department for Communities and Local Government. This transfer was effective from 2013-14.

Core Table 3 Capital Employed

	2008-09 [1] Pre-alignment outturn £'000	2009-10 [1] Pre-alignment outturn £'000	2009-10 IAS8 Aligned outturn £'000	2010-11 IAS8 Aligned outturn £'000	2011-12 IAS8 Aligned outturn £'000	2012-13 IAS8 Aligned outturn £'000	2013-14[4] IAS8 Aligned plan £'000	2014-15[4] IAS8 Aligned plan £'000
Assets and Liabilities on the statement of financial position at end of year								
Assets								
Other non-current assets	204,814	227,249	153,540	129,975	122,726	125,395	128,157	130,956
Intangible assets	1,500,766	1,618,071	1,542,567	1,495,695	1,589,475	1,314,346	1,343,294	1,372,636
Tangible assets	8,720,252	8,415,077	1,177,158	1,297,908	1,197,267	1,168,608	1,194,346	1,220,436
of which:								
Land	*1,997,619*	*1,849,895*	*73,559*	*113,628*	*102,338*	*97,539*	*99,687*	*101,864*
Buildings	*5,180,791*	*4,746,444*	*96,440*	*123,652*	*89,863*	*92,465*	*94,501*	*96,565*
Dwellings	*28,986*	*27,376*	*3,934*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*
IT	*527,055*	*614,714*	*316,446*	*146,240*	*130,330*	*98,883*	*101,061*	*103,268*
Payments on account & assets under construction	*196,015*	*222,233*	*14,797*	*815*	*0*	*3,158*	*3,228*	*3,298*
Furniture & fittings	*98,528*	*109,719*	*9,221*	*34,530*	*8,312*	*8,569*	*8,758*	*8,949*
Plant & machinery	*223,519*	*241,173*	*64,548*	*48,477*	*43,397*	*36,286*	*37,086*	*37,896*
Transport equipment	*4,989*	*5,623*	-	-	-	-	-	-
Stockpiled goods	*462,750*	*597,900*	*597,900*	*830,229*	*822,763*	*831,448*	*849,761*	*868,323*
Investment property	-	-	*313*	*338*	*263*	*260*	*266*	*272*
Investments [1]	23,980,987	24,580,024	24,529,424	25,323,617	25,924,137	25,981,056	26,553,284	27,133,308
Current assets	3,855,961	3,512,606	2,022,956	2,194,153	1,220,034	2,119,362	2,166,041	2,213,355
	38,262,780	38,353,027	29,425,645	30,441,349	30,053,638	30,708,767	31,385,121	32,070,691
Liabilities								
Payables (<1 year)	(8,720,021)	(8,824,222)	(2,570,323)	(2,905,726)	(1,725,118)	(2,470,464)	(2,524,876)	(2,580,029)
Payables (>1 year)	(2,058,387)	(2,298,766)	(261,388)	(425,684)	(339,288)	(355,599)	(363,431)	(371,370)
Provisions	(15,682,521)	(16,932,944)	(1,374,927)	(1,487,007)	(1,655,536)	(1,710,361)	(1,748,032)	(1,786,215)
	(26,460,929)	(28,055,932)	(4,206,637)	(4,818,417)	(3,719,942)	(4,536,425)	(4,636,339)	(4,737,614)
Capital employed within core department	**11,801,851**	**10,297,095**	**25,219,007**	**25,622,932**	**26,333,696**	**26,172,342**	**26,748,783**	**27,333,077**
Total Capital employed Trusts	17,890,600	13,992,300	13,812,649	13,413,318	12,114,929	11,305,396	11,554,395	11,806,787
Total Capital employed Foundation Trusts	16,537,800	15,786,200	16,008,930	16,338,866	17,497,184	17,952,444	18,347,843	18,748,629
Others [2]	229,838	200,534	(14,658,481)	(14,269,740)	(16,242,540)	(20,625,359)	(21,079,628)	(21,540,086)
Arms Length Bodies net assets	**34,428,400**	**29,778,500**	**15,163,098**	**15,482,444**	**13,369,572**	**8,632,481**	**8,822,610**	**9,015,329**
Adjustment for intra-group eliminations	(23,183,583)	(23,776,406)	(22,850,505)	(23,121,356)	(23,553,366)	(23,649,033)	(24,169,898)	(24,697,860)
Total Capital Employed in Departmental Group [3,5]	**23,046,668**	**16,299,189**	**17,531,600**	**17,984,020**	**16,149,902**	**11,155,791**	**11,401,495**	**11,650,547**

Notes:

1. 2008-09 to 2009-10 are shown in the previous group structure before IAS8 restatement, and 2009-10 is restated following alignment. The changes due to restatement are described in Note 1b to the Accounts. Main impact is the reduction in group financial assets, as pre-alignment loans and pdc to Trusts and FT are included in the figure
2. Other organisations in 2009-10 comprise: Monitor, Appointments Commission, Commission for Healthcare Regulatory Excellence, Care Quality Commission, General Social Care Council, Health Protection Agency, Health Treatment Agency, Human Fertilisation and Embryology Authority; the composition of these organisations has changed in prior years; so an overall figure for others has been interpolated based on the growth in capital employed within the main department

Others: Detail	**£'000**
Total Capital Employed Monitor	2,222
Total Capital Employed Appointments Commission	835
Total Capital Employed CHRE	291
Total Capital Employed Care Quality Commission	22,900
Total Capital Employed GSCC	28
Total Capital Employed Health Protection Agency	171,200
Total Capital Employed Health Treatment Agency	597
Total Capital Employed HFEA	2,461
	200,534

3. This is calculated as the sum of capital employed within the main department and non-department public body net assets minus financial assets reported within the main department's "Consolidated Statement of Financial Position", that are with Trusts and FTs

Actual Investment not with Trusts/FTs	797,404	803,618

4. Forecast growths are consistent with expenditure growth assumptions in Spending Review

Total Departmental Spending, excluding transfer to DCLG (core table 1a):	2010-11	2011-12	2012-13	2013-14	2014-15
	102,632	105,321	109,967	112,389	114,844

5. The decline in total capital employed in departmental group in 2008-09 and 2009-10 is linked to the Modern Equivalent Asset Revaluation (IFRS)
6. Figures may not sum due to rounding.

Core Table 4 Administration Budgets

Core Table 4 Administration budget

£'000

	2007-08 Outturn [1]	2008-09 Outturn [1]	2009-10 Outturn [1]	2010-11 Outturn [2]	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Total administration budget				5,425,184	3,540,726	3,670,048	4,114,103	4,129,940

Notes

1. The extended administration control did not exist in 2007-08 to 2009-10 years.
2. The 2010-11 administration figure is as per the baseline used for the Spending Review

Core Table 5 Staff – is included with the commentary after paragraph 3 in Annex C

Spending By Country, Region and Function

2 **Tables 6, 7 and 8** show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

3 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

4 TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. Further information on TES can be found in Appendix E of PESA 2012 available on the HM Treasury website.

5 The data are based on a subset of spending – identifiable expenditure on services – capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded. Regional attribution of expenditure for the years 2007-08 to 2011-12 is based on NHS annual accounts; central expenditure is attributed pro rata to NHS expenditure for all years.

6 The regional spending is largely driven by the recurrent revenue allocations (over 80% of total resources) the Department made directly to local PCTs, on the basis of the relative needs of their populations and in line with pace of change policy. A weighted capitation formula determined each PCT's target share of available resources, to enable them to commission similar levels of health services for populations in similar need.

7 The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

Core Table 6 Total Identifiable Expenditure on Services by Country and Region

£ million

Department of Health	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	4,463	4,940	5,222	5,346	5,393
North West	11,889	12,631	13,668	13,992	14,197
Yorkshire and the Humber	8,222	9,600	10,004	9,992	9,999
East Midlands	6,466	6,967	7,373	7,675	7,779
West Midlands	8,606	9,378	10,066	10,212	10,382
East	7,888	8,525	9,394	9,808	9,920
London	13,729	13,979	16,034	16,878	17,007
South East	11,922	13,053	14,107	14,176	14,520
South West	7,678	8,452	8,939	9,022	9,279
Total England	**80,863**	**87,527**	**94,808**	**97,101**	**98,475**
Scotland	38	42	47	51	55
Wales	-162	-164	-162	-139	-91
Northern Ireland	5	5	6	6	6
UK identifiable expenditure	**80,744**	**87,410**	**94,699**	**97,018**	**98,444**
Outside UK	890	816	984	1,121	910
Total identifiable expenditure	**81,633**	**88,226**	**95,683**	**98,139**	**99,354**
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	**81,633**	**88,226**	**95,683**	**98,139**	**99,354**

Core Table 7 Total Identifiable Expenditure on Services per Head, by Country and Region

£ per head

Department of Health	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	1,734	1,915	2,020	2,064	2,077
North West	1,712	1,812	1,953	1,991	2,012
Yorkshire and the Humber	1,592	1,848	1,914	1,901	1,891
East Midlands	1,470	1,572	1,650	1,705	1,714
West Midlands	1,571	1,702	1,816	1,832	1,851
East	1,389	1,489	1,628	1,686	1,692
London	1,749	1,761	1,997	2,080	2,073
South East	1,419	1,542	1,654	1,650	1,678
South West	1,489	1,627	1,709	1,713	1,750
England	**1,566**	**1,683**	**1,810**	**1,841**	**1,854**
Scotland	7	8	9	10	10
Wales	-54	-54	-53	-46	-30
Northern Ireland	3	3	3	3	4
UK identifiable expenditure	**1,312**	**1,410**	**1,518**	**1,545**	**1,557**

Core Table 8 Total identifiable expenditure on services by function, country and region, for 2011-12

Data in this table are National Statistics

£ million

Department of Health	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	OUTSIDE UK	Total identifiable expenditure	Not identifiable	Totals
Health																		
Medical services	5,312	13,970	9,821	7,639	10,212	9,750	16,772	14,325	9,129	96,930	-	-	-	96,930	-	96,930	-	96,930
Medical research	0	1	1	1	1	1	1	1	1	6	-	-	-	6	-	6	-	6
Central and other health services	107	293	220	172	211	217	287	300	214	2,020	-	-	-	2,020	704	2,724	-	2,724
Total health	**5,419**	**14,264**	**10,041**	**7,812**	**10,424**	**9,967**	**17,059**	**14,626**	**9,345**	**98,956**	**-**	**-**	**-**	**98,956**	**704**	**99,660**	**-**	**99,660**
Social protection																		
Sickness and disability	40	109	82	65	78	81	107	111	80	751	-	-	-	751	-	751	-	751
of which: incapacity, disability and injury benefits	*40*	*109*	*82*	*65*	*78*	*81*	*107*	*111*	*80*	*751*	-	-	-	*751*	-	*751*	-	*751*
Old age	-65	-176	-125	-97	-120	-129	-159	-217	-145	-1,233	55	-91	6	-1,263	206	-1,057	-	-1,057
of which: pensions	-65	-176	-125	-97	-120	-129	-159	-217	-145	*-1,233*	55	-91	6	*-1,263*	206	-1,057	-	-1,057
Total social protection	**-26**	**-67**	**-43**	**-33**	**-42**	**-47**	**-53**	**-106**	**-66**	**-481**	**55**	**-91**	**6**	**-512**	**206**	**-306**	**-**	**-306**
TOTAL DEPARTMENT OF HEALTH	**5,393**	**14,197**	**9,999**	**7,779**	**10,382**	**9,920**	**17,007**	**14,520**	**9,279**	**98,475**	**55**	**-91**	**6**	**98,444**	**910**	**99,354**	**-**	**99,354**

Annex C (not subject to audit)

WORKFORCE AND OTHER INFORMATION

Department of Health Workforce

1 In developing into its new role the Department has been restructured to five directorates (reduced from 10), with the new structure taking effect from 1st April 2013. This has led to a significantly smaller number of permanent and non-permanent staff and the size of the Department will reduce further in 2013-14 through further productivity and efficiency gains.

2 During 2012-13, the average number of whole-time equivalent staff employed by the Core Department, fell by a total of 112 (4%) compared to 2011-12 to 2,634, and NHS Informatics (formerly Connecting for Health) reduced by 78 (6%) to 1,233.

3 The table below provides a snapshot of the number of permanent DH core staff in post at year end and for the last three years. It shows the downward trend to March 2013 and is presented on a different basis to the average whole-time equivalent numbers shown in Table five.

Core Table Six: Core Department Permanent Staff in Post at 31 March

	March 2009 number	March 2010 number	March 2011 number	March 2012 number
Core Department	2,256.50	2,627.2	2,555.9	2,284.5

Note

1. Figures represent the position at the end of each financial year, and are following Cabinet Office guidelines

Sickness Absence Data

4 Sickness absence data is provided in the table below for the Core Department and NHS Informatics (Connecting for Health). Sickness absence data for Special Health Authorities, and other Arms Length Bodies consolidated into these accounts is available in the underlying accounts of each organisation.

Table C1: Sickness Absence 2012-13 Department of Health

2012-13

	Days Lost (Short Term) Headcount Days	Days Lost (Long Term) Headcount Days	Total Days Lost (12 Month Period)	Total Staff Years	Average Working Days Lost	Total Staff Employed in Period (Headcount)	Total Staff Employed in Period with no sickness absence (Headcount)	% Staff with no sickness absence Headcount
Core Department (1)	4,540	4,722	9,262	2,256	4.1	2,548	1,450	57%
Connecting for Health (2)	2,226	4,379	6,604	1,158	5.7	1221.66	677	55%

Notes

1. Core Department data is for the financial year, and sickness absence is based on available staff days on a headcount basis, rather than whole time equivalents

2. Connecting for Health (NHS Informatics): reporting period is from 1 March 2012 to 28th February 2013. This is due to system and structural changes in March 2013 prior to CFH's transfer to the Health & Social Care Information Centre so data is not available for March 2013. The reporting period has been adjusted to reflect this. The days lost relate to calendar days due to the way employees are paid with absence is calculated on a calendar day basis. This means that the AWDL will look high compared to those calculating on a working day basis.

Off Payroll Engagements

5 As part of the Review of Tax Arrangements of Public Sector Appointees published in May 2012 by the Chief Secretary to the Treasury, Departments are required to publish information relating to off payroll engagements that were in place on 31 January 2012 and new engagements between 23 August 2012 and 31 March 2013. Disclosures for the Department's ALBs are published as part of their individual annual reports.

Table C2: Off-Payroll Engagements in place at 31 January 2012 at a cost of over £58,200 per annum.

	Core DH Number
In place on 31 January 2012 of which:	120
- have since come onto the organsiations payroll	0
- have since been re-negotiated/re-engaged, to include contractual clauses allowing the Department to seek assurance as to their tax obligations	6
- have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the Department to seek assurance as to their tax obligations (1)	28
- have come to an end	86
Total	**120**

Note:

1. All staff on contracts that have not been re-negotiated have voluntarily provided assurance on their tax obligations.

Table C3: New Off-Payroll Engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months.

	Core DH Number
New engagements from 23 August to 31 March - all include contractual clauses allowing the Department to seek assurance as to their tax obligations	19
Of which:	
- assurance requested and received	18
- assurance requested but not received (1)	1
Total	**19**

Note:

1. Contractor left before providing assurance.

Equal Opportunities Policy

6 The Department's strategic commitments to equal opportunities and diversity incorporate an extensive range of activities, and include targets to increase the representation of women, ethnic minority and disabled staff in the Senior Civil Service (SCS); equalities analysis of all HR policies and initiatives; a comprehensive suite of equality polices; work-life balance and mental health initiatives; workforce monitoring by diversity characteristics; and targeted action such as career progression support for ethnic minority staff. They are set out in the Department of Health Equality Objectives Action Plan.

https://www.gov.uk/government/publications/department-of-health-equality-objectives-2012-to-2016-progress-update

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

The Department of Health is committed to treating all staff fairly and responsibly. The aim of the Department's equal opportunities policy is to promote equality of opportunity whereby no employee or job applicant is discriminated against on the grounds of their race, colour, ethnic or national origin, sex, disability, age, sexual orientation, religion or belief, gender reassignment, pregnancy or maternity status, marital or civil partnership status, responsibility for children or other dependants, work pattern, Trade Union membership or activity.

8 The Department uses a range of measures to track progress – including specific SCS targets, trends in staff survey data, and participation in external benchmarking exercises such as the cross-sector Stonewall Workplace Equality Index. During the course of 2012-13, the Department achieved its targets for the proportions of women, ethnic minority and disabled staff in senior grades. It also increased its position to a ranking of 24 in the Stonewall 'Top 100 Employers' Workplace Equality Index.

Recruitment and Retention of Disabled Persons

9 The Department has put in place a number of policies and activities to aid the recruitment and retention of disabled staff. These include: involving the disabled staff network in the assessment (by equality) of all workforce policies and guidance; a comprehensive suite of flexible working policies; development of specific guidance for managers and staff, (covering such issues as 'Making reasonable adjustments', 'Mental health', 'Support for carers', 'Anti-bullying and harassment' and the 'Guaranteed Interview Scheme'); occupational health support; and accessible IT systems, information, accommodation and facilities.

Supporting Departmental Staff to Succeed

10 The Department can only meet its objectives and discharge its responsibilities by having a highly-skilled, professional and motivated workforce, with staff being supported by the right tools and infrastructure to help them succeed. Such support includes:

- access to an increased range of appropriate training and development opportunities via civil service learning with support from the Department's corporate L&D team; and
- provision of effective and efficient support services, especially relating to information technology, human resources, accommodation and finance.

11 The Department's relationship with its workforce is supported by a series of core values relating to people, overall purpose, the principle of working together, and accountability.

12 The Department's Learning and Development (L&D) activity during the year focused particularly on building organisational capability in respect of managing and leading change. There is a strong emphasis on providing a culture where people aspire to learning, grow, develop and innovate. The L&D priorities for 2013 and beyond are to:

- grow our leadership and management capability;
- grow core management capability;
- develop our talent to progress;
- enable all staff to grow core and professional competencies; and
- enable effective cross sector working

Provision of information to, and consultation with, employees

13 The Department has a series of communication channels in place to deliver information about organisational and business developments to staff, and to provide an opportunity for feedback, both at a corporate and local level. Methods of communication range from regular electronic messages to all staff via e-mail or the Department's intranet site (including the Permanent Secretary's updates) to face-to-face briefings by DH Management Committee members and the Department's senior managers. The Department also works in partnership with the Departmental Trade Unions through consultation and negotiation to encourage involvement and build engagement in decision-making processes. There are a number of sites on the DH intranet dedicated to informing staff about progress with transition in both the Department and the wider health and care system. The "Permanent Secretary's corner" also allows staff to communicate their ideas and concerns directly to the Permanent Secretary and her senior team.

Well-being of DH staff

14 Now in its second full year, the Department's "Practising what we Preach" Employee Health & Wellbeing (HWB) Programme has continued to go from strength to strength in 2012/13. The programme of activities and events come under three core work-streams covering emotional, physical, and workplace wellbeing. New partners MIND, Time-to-Change and the Corporate Alliance Against Domestic Violence (CAADV) have joined the Board to promote support, encourage and inspire health and wellbeing of DH staff.

15 As part of the programme:

- over 190 members of staff participated in health fairs across the DH estate;
- 600 staff took advantage of flu jabs; cholesterol and other physical health checks;
- 170 people attended 'Movember' events focussing on men's health;
- over 115 supported our CMO and Minister of Health for Care Services to sign up to the Time to Change pledge on World Mental Health Day in October 2012;
- in the wake of the Olympics, all staff have been encouraged to take part in a wide range of Physical Activity challenges; and
- over 50 staff at all levels in the DH including Directors General volunteered to take part and produce a short film promoting the normality of mental health and to raise awareness in removing stigma and discrimination.

16 The Staff HWB Network now has over 90 volunteers committed to health and wellbeing and is growing month on month. This network makes an enormous contribution to the movement, encouraging and supporting the health and wellbeing of colleagues.

17 Special projects are working on enhancing existing support for staff who may find life more difficult because of, for example, a long-term health condition, a mental health issue, domestic violence or caring responsibilities – particularly through peer support. The Department has also continued to improve workplace wellbeing, through modernising the office accommodation; ancillary facilities and ICT to enable collaboration, and having healthy food options in all restaurants with calories content labelling.

18 Through these and many other initiatives, the DH H&WB movement has enabled the Department to sign up to all of the Responsibility Deal pledges on work and health issues. The DH Civil Service People Survey question on health and wellbeing has continued to improve; being up from 56% positive in 2010 to 61% positive 2011 and 66% positive for October 2012, and the Civil Service award for wellbeing recognised our staffs' achievements in November 2012.

Health and Safety at Work

19 The Department of Health recognises its responsibilities, under the Health and Safety at Work etc. Act 1974, for ensuring, so far as is reasonably practicable, the health, safety and welfare of its employees, temporary staff, and visitors to its premises and to others who may be affected by its operations and/or activities. Health and safety is regarded as a key component of the organisation's strategy and its operational considerations and a prime responsibility of the management team. In 2011-12, there were 41 reported accidents; 7 of which resulted in absence and 2 near misses.

Social and Community Policies

20 The Department encourages staff working within the Department and its ALBs to take part in community activities, through volunteering in the local area and offering work experience opportunities to people from disadvantaged backgrounds. Its policy encourages staff to work with people from all strands of the local community, particularly those from under-privileged backgrounds. As part of its implementation plan the Department has set up partnership arrangements with Southwark Volunteering Centre, Time and Talents (Westminster), and Leeds Ahead (Yorkshire) - to help put people and teams in touch with local community groups for volunteering opportunities.

21 The Department also offers work experience opportunities as part of its commitment to the social mobility agenda. This includes the cross-government Whitehall Summer Internship scheme, which provides school-age students from under-represented socio-economic backgrounds with an opportunity to experience life in Whitehall and undertake work in high-profile policy teams. The Department supported three interns in 2012-13, and will continue to run this scheme on an annual basis. For graduates and under-graduates the cross-government Summer Internship programme targets students from ethnic

minority backgrounds or who have a disability and each year, the Department takes four to five candidates.

22 In addition, the Department embarked on a local work experience initiative in 2010. This programme 'Building Bridges' is aimed at high-achieving pupils from local schools in Southwark and Westminster, in disadvantaged areas. Participants are given the opportunity to see the work of the Department first hand and it also provides a unique opportunity for policy makers to gain valuable insight into how young people engage and interpret health related policies, through two-week placements in the Department. The programme offers up to ten placements a year to local partner schools with all participants mentored and supported by a Fast Stream management trainee. Work is underway to extend the programme to pupils in Leeds.

Other Information

NHS Sickness Absence Data

23 Sickness absence data is provided in the table below for Primary Care Trusts, Strategic Health Authorities, NHS Trusts and NHS Foundation Trusts. Sickness absence data for Special Health Authorities, and other Arms Length Bodies consolidated into these accounts is available in the underlying accounts of each organisation.

Table C4: Sickness Absence 2012-13 (NHS)

			2012-13
	Total Days Lost (12 month Period)	Total Staff Years	Average Working Days Lost
Strategic Health Authorities	16,493	2,842	5.8
Primary Care Trusts	316,224	41,673	7.6
NHS Trusts and FTs (3)	9,251,808	958,661	9.7

Notes

1. NHS sickness absence statistics are published by the Health and Social Care Information Centre, using data from the NHS Electronic Staff Record (ESR) Data Warehouse. Data relates to the 2012 calendar year as the Q4 figures are not yet available.
2. NHS Total Days Lost figures are on a full-time equivalent basis
3. Data relating to NHS Trusts and NHS Foundation Trusts staff cannot be disaggregated in the information available from the Health and Social Care Information Centre. Two NHS Foundation Trusts have opted out of ESR and DH has estimated the numbers of extra days applicable on an average basis.

Spend on Consultancy, Agency and Temporary Workers

24 The following table provides details of expenditure by bodies within the Resource Accounting Boundary in respect of consultancy and temporary agency workers. Further commentary on the Department's expenditure is in paragraph 3.25.

Table C5: ALB and NHS Expenditure on Consultancy, Agency and Temporary Workers

	2012-13		2011-12	
	Consultancy[1]	Temporary Agency[2]	Consultancy[1]	Temporary Agency[2]
Total DH Core[5]	**18,399**	**56,593**	**14,917**	**70,964**
% Change on prior year	**23%**	**-20%**	**1%**	**-49%**
RAB SpHAs:				
NHS Business Services Authority	-	2,252	-	1,206
The Information Centre	4	5,912	461	4,261
NHS Commissioning Board (NDPB)	-	9,745	101	-
RAB NDPBs:				
Care Quality Commission[4]	1,752	14,826	59	8,063
General Social Care Council	3	393	-	1,390
Monitor – Independent Regulator of NHS Foundation Trusts[5]	10,021	7,853	3,650	3,712
Other ALBs[3]	771	13,872	926	15,603
Sub Total - ALBs	**12,551**	**54,852**	**5,197**	**34,235**
Sub Total - DH and ALBs	**30,951**	**111,445**	**20,113**	**105,199**
% Change on prior year	**54%**	**6%**	**-13%**	**-43%**
Strategic Health Authorities	25,056	65,613	23,525	58,733
Primary Care Trusts	172,945	278,308	109,750	210,778
NHS Trusts	172,860	1,671,496	146,759	1,573,918
NHS Foundation Trusts	194,207	1,799,965	176,292	1,317,203
Sub Total - Trusts and SHAs	**565,068**	**3,815,381**	**456,326**	**3,160,632**
	24%	**21%**	**2%**	**-8%**
RAB Total	**596,019**	**3,926,827**	**476,439**	**3,265,832**
% Change on prior year	**25%**	**20%**	**1%**	**-10%**

Notes

1 Consultancy values for Core Department show receipted amounts against purchase orders in line with Office of Government Commerce (OGC) definitions. This source has been used since 2010-11. This differs to the source of data used in the main body of the resource accounts (for example, notes 8 and 9), which is taken from the Department's General Ledger. There are definitional and timing differences between these sources.

2 Temporary Agency values are on a resource basis and are consistent with audited accounts

3 Other ALBs have been grouped as follows: NHS Commissioning Board, National Institute for Health and Clinical Excellence, NHS Institute for Innovation and Improvement, National Patient Safety Agency, NHS Litigation Authority, National Treatment Agency for Substance Misuse, Health Research Authority, Health Education England, NHS Trust Development Authority, Appointments Commission, Council for the Regulation of Healthcare Professionals, Health Protection Agency, Human Fertilisation and Embryology Authority and the Human Tissue Authority.

4 This is linked to them carrying out a fundamental but appropriate review of their regulatory systems that will have a direct impact on future CQC and regulatory reform. For example they have reported more than 7 projects totalling £1.75m spanning 2012-13.

5 The increase in Monitor's consultancy spend in 2012-13 relates to contingency planning work untertaken under new functions, and an increased spend on regulatory design and organisational build projects forming part of the transition to Monitor's new role as section regulator. The increase in temporary staff also reflects this activity, with regulatory and economic specialists required on a short term basis to support and develop the transition.

Payment to Suppliers

25 The Department complies with both the CBI prompt payment code and the British Standard on prompt payment. The Department is a signatory to the Government's Prompt Payment Code, and has a policy to pay all bills as soon as possible.

26 The standard terms of payment for all supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. Exceptions have to be fully justified and agreed by the appropriate senior management and finance colleagues. Payment terms for most other types of valid payments for grants, funding and to other bodies are immediate.

Table C6: Core Department of Health Supplier Payments

	2012-13	2011-12
% paid in 10 day period	97.1	97.9%
No. paid in 10 day period	174,932	169,344
% paid in 30 day period	98.5	99.3%
No. paid in 30 day period	177,384	171,866
Payable Days (see note)	11	4

Note: Payable Days is the proportion of the amount owed to trade payables at the year end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year.

Better Payment Practice Code – NHS Organisations

27 The percentages of bills paid in compliance with the better payment practice code in 2012-13 by NHS Trusts, PCTs and SHAs are shown in the following tables. All NHS Trusts, PCTs and SHAs must meet a Better Payment Practice Code target of paying 95% of bills within contract terms, or 30 days where no terms have been agreed. Monitor does not collect comparable supplier payment performance from NHS Foundation Trusts.

Table C7: NHS Trusts Supplier Payments

	Number of NHS Trusts			
	By Number of Bills		By Value of Bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95% and 100%	22	18	28	34
Between 85% and 94.9%	51	31	39	24
Between 75% and 84.9%	13	16	21	17
Less than 75%	19	40	17	30
Total	105	105	105	105
Overall performance 2012-13 (%)	84.1	74.8	85.4	82.8
Overall performance 2011-12 (%)	83.8	78.8	85.7	79.3

Note: Includes NHS Trusts that changed status, eg became FTs, during the year.

28 The overall performance shows the percentage paid by number and value within 30 days or contracted terms. The performance in 2012-13 is in the context of NHS Trusts processing and paying over 18.5 million invoices during the year.

Table C8: Primary Care Trusts Supplier Payments

	Number of PCTs			
	By Number of Bills		By Value of Bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95% and 100%	61	58	70	126
Between 85% and 94.9%	68	54	50	18
Between 75% and 84.9%	14	20	23	6
Less than 75%	8	19	8	1
Total	151	151	151	151
Overall performance 2012-13 (%)	91.2	88.2	92.6	97.4
Overall performance 2011-12 (%)	91.6	87.4	93.1	98.0

29 The 2012-13 performance is in the context of PCTs processing and paying over 3 million invoices during the year.

Table C9: Strategic Health Authorities Supplier Payments

	Number of SHAs			
	By Number of Bills		By Value of Bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95% and 100%	8	7	9	9
Between 85% and 94.9%	2	3	1	1
Between 75% and 84.9%	0	0	0	0
Less than 75%	0	0	0	0
Total	10	10	10	10
Overall performance 2012-13 (%)	96.0	95.6	97.3	96.4
Overall performance 2011-12 (%)	97.2	95.5	98.0	97.9

30 The performance in 2012-13 is in the context of SHAs processing and paying over 150,000 invoices during the year.

31 Strategic Health Authorities monitored the performance of individual NHS Trusts and Primary Care Trusts, and worked with poor performing organisations to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code. Performance management took the form of meetings and discussions with organisations to understand incidences of poor performance and identify corrective actions to ensure that performance improved. The Department of Health had a similar role with poor performing SHAs.

32 Further details on the Better Payment Practice Code can be found at www.payontime.co.uk.

Annex D (not subject to audit)

The following tables provide a regional analysis of PCT, NHS Trust and SHA net operating costs and net assets by region. This information was previously included in the NHS Summarised Accounts and is included within this group account following the the passing of Order 14 of the Government Resource Account Act 2000 to disapply the requirement to prepare Summarised Accounts in 2011-12.

PCTs	North East SHA £000	North West SHA £000	Yorkshire & Humber SHA £000	East Midlands SHA £000	West Midlands SHA [1] £000	East of England SHA £000	London SHA £000	South East Coast SHA £000	South Central SHA £000	South West SHA £000	Total Operating Segments £000	Inter-Trust Consolidation Elimination £000	Other National Adjustments £000	2012-13 TOTAL £000
Net operating costs	5,176,165	13,737,811	9,732,911	7,661,970	9,919,579	9,445,568	15,546,214	7,478,194	6,036,934	8,966,707	93,702,053	-	-	93,702,053
Revenue resource limit RRL	5,181,765	13,800,487	9,803,260	7,736,073	9,981,232	9,473,334	15,782,145	7,506,540	6,082,745	9,032,591	94,382,172	-	-	94,382,172
Under/(over) spend against RRL	5,600	62,676	70,349	74,103	61,653	27,766	235,931	30,346	45,811	65,884	680,119	-	-	680,119
Depreciation and amortisation	15,257	45,749	31,043	32,957	39,829	28,260	74,634	27,880	39,341	37,735	372,685	-	-	372,685
Impairments and reversals	20,489	28,474	19,834	10,219	22,532	13,154	45,068	11,841	20,435	43,952	235,998	-	-	235,998
Interest expense	5,051	40,184	21,159	21,575	20,013	17,655	38,273	5,403	11,755	13,358	194,426	(34)	-	194,392
Interest revenue	(234)	(1,276)	(955)	(1,760)	(286)	(153)	(2,470)	(162)	(396)	(392)	(8,084)	-	-	(8,084)
Additions to non current assets	55,559	88,689	68,874	33,568	53,774	53,754	143,605	56,361	49,096	69,793	673,073	-	-	673,073
Total assets	396,848	1,095,746	665,969	805,406	871,851	824,984	1,783,731	658,104	785,916	872,251	8,760,807	(291,859)	-	8,468,947
Total liabilities	406,709	1,341,820	906,515	855,041	998,542	924,003	1,724,269	572,759	577,845	728,581	9,036,084	(291,859)	-	8,744,225

PCTs	North East SHA £000	North West SHA £000	Yorkshire & Humber SHA £000	East Midlands SHA £000	West Midlands SHA £000	East of England SHA £000	London SHA £000	South East Coast SHA £000	South Central SHA £000	South West SHA £000	Total Operating Segments £000	Inter-Trust Consolidation Elimination £000	Other National Adjustments £000	2011-12 TOTAL £000
Net operating costs	5,063,510	13,283,929	9,526,831	7,486,306	9,618,178	9,194,587	15,029,614	7,246,143	5,893,426	8,651,993	91,024,516	-	-	91,024,516
Revenue resource limit RRL	5,068,650	13,335,905	9,597,169	7,531,122	9,672,156	9,207,966	15,216,326	7,269,989	5,910,769	8,741,010	91,551,062	-	-	91,551,062
Under/(over) spend against RRL	5,140	51,976	70,338	44,817	53,978	13,379	186,712	23,846	17,343	59,017	526,546	-	-	526,546
Depreciation and amortisation	14,637	44,290	29,032	28,412	33,712	26,558	76,516	23,783	31,126	36,286	344,352	-	-	344,352
Impairments and reversals	11,828	21,831	22,779	9,134	9,358	7,258	33,522	13,000	22,252	36,193	187,155	-	-	187,155
Interest expense	7,188	36,168	18,352	20,975	15,531	14,319	32,997	5,554	11,609	10,994	173,687	(3)	-	173,687
Interest revenue	(146)	(1,466)	(656)	(1,307)	(572)	(163)	(2,499)	(90)	(357)	(262)	(7,518)	-	-	(7,518)
Additions to non current assets	24,652	103,959	73,534	52,348	111,288	81,949	62,582	55,747	48,488	97,165	711,712	-	-	711,712
Total assets	404,672	1,168,929	662,644	778,007	915,459	802,533	1,918,394	674,724	834,032	945,395	9,104,790	(267,613)	-	8,837,176
Total liabilities	406,800	1,378,636	871,308	790,201	1,013,552	820,426	1,715,532	605,938	567,433	750,047	8,919,873	(267,613)	-	8,652,259

ANNEX D

SHAs	North East SHA	North West SHA	Yorkshire & Humber SHA	East Midlands SHA	West Midlands SHA	East of England SHA	London SHA	South East Coast SHA	South Central SHA	South West SHA	Total Operating Segments	Inter-Trust Consolidation Elimination	Other National Adjustments	2012-13 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net operating costs	**284,143**	**706,599**	**573,511**	**396,567**	**520,334**	**591,400**	**1,777,691**	**289,997**	**329,338**	**396,037**	**5,865,617**	**-**	**-**	**5,865,617**
Revenue resource limit RRL	347,881	946,270	721,647	434,212	527,317	649,612	1,875,128	322,081	368,927	514,399	6,707,474	-	-	6,707,474
Under/(over) spend against RRL	**63,738**	**239,671**	**148,136**	**37,645**	**6,983**	**58,212**	**97,437**	**32,084**	**39,589**	**118,362**	**841,857**	**-**	**-**	**841,857**
Depreciation and amortisation	-	-	363	56	-	300	689	130	68	25	1,631	-	-	1,631
Impairments and reversals	-	-	-	-	-	531	-	2,791	-	-	3,322	-	-	3,322
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions to non current assets	-	-	-	-	-	20	458	-	10	-	488	-	-	488
Total assets	1,502	2,636	1,075	3,850	1,734	4,952	15,726	9,235	1,855	2,298	44,863	(918)	-	43,945
Total liabilities	4,097	3,468	12,317	19,352	14,878	19,623	63,322	7,881	10,529	8,735	164,202	(918)	-	163,284

SHAs	North East SHA	North West SHA	Yorkshire & Humber SHA	East Midlands SHA	West Midlands SHA	East of England SHA	London SHA	South East Coast SHA	South Central SHA	South West SHA	Total Operating Segments	Inter-Trust Consolidation Elimination	Other National Adjustments	2011-12 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net operating costs	**287,496**	**717,646**	**565,770**	**394,408**	**526,404**	**564,425**	**1,724,383**	**288,382**	**331,807**	**390,791**	**5,791,512**	**-**	**-**	**5,791,512**
Revenue resource limit RRL	346,815	932,770	683,947	439,556	563,938	659,254	1,980,055	350,472	386,592	508,623	6,852,022	-	-	6,852,022
Under/(over) spend against RRL	**59,319**	**215,124**	**118,177**	**45,148**	**37,534**	**94,829**	**255,672**	**62,090**	**54,785**	**117,832**	**1,060,510**	**-**	**-**	**1,060,510**
Depreciation and amortisation	4	-	380	113	-	311	532	293	65	25	1,723	-	-	1,723
Impairments and reversals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions to non current assets	-	-	51	-	-	200	400	-	9	-	660	-	-	660
Total assets	2,424	3,338	3,980	2,663	2,258	6,997	12,469	14,453	3,410	2,499	54,491	(2,404)	-	52,087
Total liabilities	6,084	16,600	26,661	18,694	18,718	24,347	64,322	7,222	8,966	3,899	195,513	(2,404)	-	193,109

ANNEX D

NHS Trusts	North East SHA	North West SHA	Yorkshire & Humber SHA	East Midlands SHA	West Midlands SHA	East of England SHA	London SHA	South East Coast SHA	South Central SHA	South West SHA	Total operating segments	NHS Direct	Inter-Trust Consolidation Elimination	Other National Adjustments	2012-13 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	-	(3,261,635)	(2,477,864)	(3,426,193)	(4,367,944)	(2,311,433)	(7,722,856)	(2,706,897)	(2,008,993)	(2,362,772)	(30,646,587)	(139,265)	324,687	-	(30,461,165)
Interest revenue	-	(827)	(380)	(715)	(1,041)	(1,263)	(2,023)	(349)	(315)	(351)	(7,264)	(59)	-	-	(7,323)
Interest expenses	-	36,521	29,897	6,004	67,792	17,739	127,383	33,795	47,408	10,056	376,595	-	-	-	376,595
Depreciation and amortisation	-	105,125	78,653	97,344	116,024	69,900	248,312	84,299	67,483	101,040	968,180	4,276	-	-	972,456
Retained surplus/(deficit) for the year before impairments	**-**	**19,514**	**(4,710)**	**23,676**	**53,574**	**7,633**	**(90,283)**	**12,034**	**8,769**	**14,954**	**45,161**	**(56,629)**	**-**	**-**	**(10,378)**
Impairments and reversals charged to operating expenses	-	39,136	30,304	24,271	98,320	26,427	233,593	22,044	14,258	26,614	514,967	19,076	-	-	534,043
Retained surplus/(deficit) for the year	**-**	**(19,622)**	**(34,014)**	**(595)**	**(44,746)**	**(18,794)**	**(323,876)**	**(10,010)**	**(5,489)**	**(11,660)**	**(469,816)**	**(74,606)**	**-**	**-**	**(544,421)**
Additions to non current assets	-	133,799	92,564	119,229	235,141	92,545	308,798	95,785	55,176	90,800	1,223,837	3,692	-	-	1,227,529
Total assets	-	2,004,429	1,700,995	1,998,860	2,600,027	1,322,046	6,264,358	1,849,452	1,451,255	1,312,391	20,503,813	39,718	(63,532)	-	20,479,999
Total liabilities	-	(936,276)	(921,839)	(450,184)	(1,489,328)	(554,306)	(2,876,050)	(705,478)	(858,121)	(368,224)	(9,161,806)	(76,329)	63,532	-	(9,174,603)

NHS Trusts	North East SHA	North West SHA	Yorkshire & Humber SHA	East Midlands SHA	West Midlands SHA	East of England SHA	London SHA	South East Coast SHA	South Central SHA	South West SHA	Total operating segments	NHS Direct	Inter-Trust Consolidation Elimination	Other National Adjustments	2011-12 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	(61,433)	(3,271,129)	(2,555,211)	(3,331,717)	(4,156,025)	(2,361,427)	(8,377,458)	(2,625,187)	(2,189,829)	(2,177,483)	(31,106,899)	(143,802)	347,622	-	(30,903,079)
Interest revenue	(29)	(724)	(381)	(720)	(1,490)	(1,246)	(2,689)	(283)	(290)	(253)	(8,115)	(54)	-	-	(8,169)
Interest expenses	202	33,016	30,316	5,619	57,141	17,882	112,663	32,399	47,828	10,428	347,494	-	-	-	347,494
Depreciation and amortisation	4,277	91,028	81,204	95,842	118,883	64,342	274,678	81,828	77,516	81,816	971,414	4,882	-	-	976,296
Retained surplus/(deficit) for the year before impairments	**2,312**	**30,991**	**(6,086)**	**24,977**	**33,498**	**11,720**	**(71,791)**	**(2,799)**	**7,663**	**28,816**	**59,202**	**697**	**-**	**-**	**59,899**
Impairments and reversals charged to operating expenses	92	36,913	(23,506)	103,668	153,792	963	375,355	35,947	(9,714)	103,751	777,261	209	-	-	777,470
Retained surplus/(deficit) for the year	**2,220**	**(5,922)**	**17,421**	**(78,691)**	**(120,294)**	**10,757**	**(447,146)**	**(38,746)**	**17,377**	**(74,935)**	**(718,059)**	**488**	**-**	**-**	**(717,571)**
Additions to non current assets	4,205	117,708	86,445	146,627	382,780	85,706	1,103,810	250,228	58,748	93,118	2,329,375	2,917	-	-	2,332,292
Total assets	-	2,096,316	1,793,653	1,966,738	2,651,656	1,369,495	6,730,785	1,837,580	1,489,865	1,373,136	21,309,224	59,780	(92,207)	-	21,276,797
Total liabilities	-	(915,479)	(925,456)	(423,512)	(1,418,195)	(552,223)	(3,036,021)	(705,850)	(875,857)	(376,665)	(9,229,258)	(24,818)	92,207	-	(9,161,869)

Annex E (not subject to audit)

NAO REPORTS PRINCIPALLY FOR DEPARTMENT OF HEALTH FROM 1ST APRIL 2012 – 31ST MARCH 2013

Memorandum: on the provision of out-of-hours GP services in Cornwall (March 2013)

During 2012, whistle-blowers raised a number of concerns about the out-of-hours services in Cornwall. A clinical review of the out-of-hours service found no evidence that the service was or had been clinically unsafe. However, there had been insufficient staff to fill all clinical shifts, and in July 2012 the Care Quality Commission came to the same conclusion.

Although most of the recommendations were for the Primary Care Trust and Clinical Commissioning Group; the key recommendation for the Department, was that they should take the lead in making sure that whistle-blowers are, and feel, protected throughout the NHS.

VFM Managing NHS Hospital Consultants (February 2013)

The report examined how far the expected benefits of the new consultants' contract agreed in 2003 had been realised; whether consultants are managed effectively and consistently across NHS Trusts and Foundation Trusts; and how far the Public Accounts Committee's recommendations in 2007 about improving the management of consultants had been implemented.

The conclusion was that all of the intended benefits from the new consultant's contract had been realised or partly realised, but that more could be done to improve further the management of consultants by Trusts, and improve further value for money.

VFM Progress in Making NHS efficiency savings [QIPP] (December 2012)

The NHS had made a good start and clearly delivered substantial efficiency savings in 2011-12. These savings would need to be maintained and built on if up to £20 billion is to be generated by 2014-15. For the NHS to be financially sustainable and achieve value for money in the future, it would need to quicken the pace of service transformation and make significant changes to the way health services are provided.

The overall positive comments reflected that the report covered the early stages of the drive to secure efficiency savings and the Department was still developing its approach. The report highlighted a variety of shortcomings in areas such as whether demand management is having positive or negative effects on access to healthcare; how service transformation can best be achieved; and the reliability of the reported savings data. There was a risk that confidence would be undermined and the likelihood of success reduced.

VFM Peterborough and Stamford Hospitals NHS Foundation Trust (November 2012)

Peterborough and Stamford Hospitals NHS Foundation Trust (the Trust) was authorised as an NHS Foundation Trust in 2004. It provides acute health services to patients in Peterborough, Cambridgeshire and Lincolnshire. It had a turnover of £208 million in 2011.

The Department approved the PFI scheme in June 2007. It did so even though Monitor, the Foundation Trust regulator, raised serious concerns about the affordability of the scheme, although these did not anticipate the scale of the problems that has since emerged. HM Treasury had previously approved the scheme, but only subject to the Trust addressing Monitor's concerns. The scheme was approved before the banking crisis in 2008.

The Trust reported surpluses each year from 2006-07 until making a small operating deficit in 2010-11 (after including £20.5 million of one-off support for the PFI scheme from the Strategic Health Authority (SHA)). The Trust's auditors raised concerns about its continued financial viability as an organisation as part of their certification of the Trust's 2010-11 accounts. The Department announced in February 2012 that it is one of seven Trusts eligible to receive additional support with the costs of its PFI scheme. The deficit increased to around £46 million in 2011-12.

Peterborough and Stamford Hospitals NHS Foundation Trust featured as a case study in the NAO 2012 report, *Securing the future financial sustainability of the NHS.* Following this, the Committee of Public Accounts asked the NAO to look further at the circumstances underlying the Trust's serious financial difficulties.

The Trust board developed, and enthusiastically supported, an unrealistic business case for the new hospital that incorporated overly optimistic financial projections. The Trust lacked the capacity and capability to deliver the financial performance improvements and cost control required to maintain financial sustainability. It therefore failed in its responsibility to secure value for money from its use of resources, even though the new hospital was delivered to time and budget. In addition, the regulatory structure and approval processes put in place to evaluate major capital projects and regulate their implementation did not work as intended and did not ensure affordability. The Trust board's failure to respond fully to Monitor's early concerns about the affordability of the scheme was not addressed by the Department, and the Trust's deteriorating financial position was not responded to in a timely way by Monitor.

Review of the data systems for the Department of Health (November 2012)

The report examined the Department's data systems used to report performance involving a review of processes and controls governing: the selection, collection, processing and analysis of data; the match between the Department's objectives and the indicators chosen and the reporting results.

The assessment does not provide a conclusion on the accuracy of figures included in the Department's public performance statements. This is because sound data systems reduce but do not eliminate the possibility of error in reported data. 2011-12 was the first year in a rolling programme which will present a complete picture over the next three years.

VFM The Franchising of Hinchingbrooke Healthcare NHS Trust (November 2012)

Hinchingbrooke Health Care NHS Trust is a small district general hospital in Cambridgeshire with an annual income in 2011-12 of £107 million. The Trust suffered financial difficulties between 2004-05 and 2007-08, developing a cumulative deficit of £39 million.

In 2007, the Department gave the Authority approval to explore options to implement a new management structure at the Trust, to make it financially sustainable and repay its cumulative deficit. In July 2009, after a public consultation and review by the Department, the Authority obtained approval from the Department to seek a partner to run the Trust as an operating franchise. In November 2011, the Authority awarded a ten-year operating franchise to Circle, a private company. The Trust was the first NHS trust to be run as an operating franchise.

The report highlights that the Trust's financial position was worse than projected after six months of 2012/13, and that there are some immediate financial challenges to resolve. The report states that if the contract does go well it can deliver value for money, however to achieve this it will need alert management by the Authority and the Trust board to monitor performance and intervene as necessary.

Memorandum: An update on the government's approach to tackling obesity [July 2012]

The Public Accounts Committee asked the National Audit Office to follow up on two previous reports on obesity, which were published in 2002 and 2007. The memorandum was a factual account of how the Government's approach to obesity takes account of the themes and issues previously identified by the Committee.

A value for money study was not conducted and recommendations have not been made although the memorandum does highlight a small number of areas where they suggest a 'watching brief.'

The memorandum explains how responsibility for measures to tackle obesity is changing and reviews what the Department has done, and is now doing, to address areas of concern previously highlighted by the Committee.

Memorandum: Progress in implementing the 2010 Adult Autism Strategy (July 2012)

The Adult Autism Strategy was launched in March 2010. This memorandum outlines the progress that has been made in the two years since the Strategy was published. Twenty-Four of the 56 commitments in the Strategy have been implemented, and work has begun on most of the remaining commitments. However, less progress was made in some areas, such as improving access to social care assessments, personal budgets and diagnostic services, which can all help adults with autism to access services and support.

Securing the Financial Sustainability of the NHS (July 2012)

This report looked at the financial sustainability of NHS commissioners, the NHS trusts and NHS foundation trusts that provide community, secondary and tertiary health care services. If NHS organisations are financially unsustainable this could impact on service delivery and quality. The indicators the National Audit Office used were whether NHS bodies achieved surplus or deficit, what financial support they needed, and measures of debt and liquidity. The NAO found that, although in 2011-12 there was a surplus of £2.1 billion across the NHS as a whole, there was also some financial distress.

VFM Healthcare across the UK: A comparison of the NHS in England, Scotland, Wales and Northern Ireland (June 2012)

The report highlighted key trends and variations in the delivery of healthcare across the four nations of the UK. The report found that, despite the shared history and similarities between the four nations, there were considerable variations in areas such as health outcomes, spending, staffing and quality.

VFM The Management of Adult Diabetes Services in the NHS (May 2012)

This report examined whether the NHS in England was providing recommended standards of care to people with diabetes. The report found that, despite some improvements since 2006-07, there was poor performance against expected levels of care, low achievement of treatment standards and high numbers of avoidable deaths, and concluded that diabetes services in England were not delivering value for money.

Although the Department found the report factually correct, the Department considered good progress had been made in improving services for people with diabetes since the National Service Framework was published in 2001, and there were some positive indicators of value for money in the Department's expenditure on diabetes. However, the Department recognised that a number of significant issues still need to be addressed – in particular that variations in services across the country need to be reduced and delivery of some care processes increased – before value for money from expenditure on diabetes is achieved across the board.

Annex F (not subject to audit)

PUBLIC ACCOUNTS COMMITTEE REPORTS PRINCIPALLY FOR THE DEPARTMENT

39th Report - Progress in Making NHS Efficiency Savings [QIPP] (March 2013)

The Department reported that the NHS made savings of £5.8 billion in 2011-12 virtually all of that year's forecast of £5.9 billion and expected that by the end of 2012-13 the savings made will total £12.4 billion.

Most of the savings to date have been achieved through freezing the pay of NHS staff and reducing the prices paid for healthcare. The more challenging, and risky, part of the efficiency drive requires transformation in the way health services are actually provided. Over the four years to 2014-15, such transformational changes are expected to generate 20% of the total savings, but the Department expects that by the halfway stage—the end of 2012-13 - just 7% (£875 million) of savings will have been generated in this way.

The reforms involve sweeping changes to the structures of the NHS and working together across organisational boundaries will be crucial to service transformation. The NHS appears to have made a positive start but the PAC could not be fully confident in the savings figures reported and were concerned that the need to make savings may affect wider areas of care quality, which are not adequately measured.

28th Report – The Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust (February 2013)

A complete lack of strategic oversight resulted in separate decisions being taken to build a new PFI hospital at Peterborough and to award a franchise to a private company to run a nearby NHS hospital. No consideration appears to have been given to the impact these two decisions would have on the local health economy and health expenditure. The hospitals are located 24 miles apart in the East of England, an area of the country where the NHS has a long-acknowledged over-provision of acute healthcare. The decision to approve these two cases flies in the face of past and present government policy to treat more people outside hospitals and to concentrate key services in specialist centres. This has left the Government with two hospitals whose financial viability and future is in doubt and whose value for money has not been secured.

Neither Trust is financially sustainable in its current form and both will have to make unprecedented levels of savings to become viable. Events at both Trusts reflect poor financial management and the failure of the SHA to exercise strategic control over local healthcare provision and capacity planning. The poor oversight demonstrates that the Department has not established a robust system of healthcare planning. All bodies demonstrated an abject failure to accept responsibility for these decisions and their impact on the local health economy.

17th Report - Management of Adult Diabetes Services in the NHS (November 2012)

The percentage of the population diagnosed with diabetes doubled between 1994 and 2009 and is continuing to increase. The Department projects that the number of people with diabetes (diagnosed and undiagnosed) will rise from 3.1 million to 3.8 million by 2020. The projected increase in the diabetic population could have a significant impact on NHS resources.

In 2001, the department published the National Service Framework for Diabetes (the Framework). The expected levels of care outlined in the national Framework were reinforced in 2011 by a National Institute for Health and Clinical Excellence (NICE) 'Quality Standard' for diabetes in adults.

The improvements in diabetes services since the publication of the Framework have not been as great as the Committee would have expected given that the department set clear and clinically agreed standards 11 years ago and has had information showing that the NHS has not been delivering the expected standards of care for a number of years. Variation in the level of progress across the NHS also means that there is an unacceptable "postcode lottery" of care, whereby the quality of diabetes care varies dramatically across the NHS.

16th Report – Securing the Future Financial Sustainability of the NHS (October 2012)

The Committee did not have critical details of how the new system introduced by the NHS reforms would work so that services remain available to patients in their locality.

In 2011-12 NHS organisations in England reported a combined overall surplus of £2.1 billion. There were, however, significant variations in performance between NHS bodies. 377 NHS organisations reported a surplus in the year, but 10 NHS trusts, 21 NHS foundation trusts and three Primary Care Trusts (PCTs) reported a combined deficit of £356 million.

The very difficult financial situation of some NHS bodies is particularly marked in London, where two Trusts reported a combined deficit of £115 million. The Department placed one of these, South London Healthcare NHS Trust, in special administration in July 2012.

The financial sustainability of hospital Trusts is even more serious than these figures suggest. Up to now, PCTs and Strategic Health Authorities (SHAs) have been able to give struggling Trusts additional financial support in a variety of ways that have not always been transparent. In addition, the department has provided further significant cash injections of £1.1 billion to some trusts in the form of Public Dividend Capital that it does not expect all of them to pay back. All this additional funding is hiding underlying financial problems, as without this help a further 31 NHS Trusts and 11 Foundation Trusts may not have broken even, or would have reported larger deficits.

The Department was not able to explain clearly what would trigger a Trust being placed into the failure regime, and how decisions would be made about the future of a Trust in financial difficulty.

Annex G (not subject to audit)

OUTSTANDING PUBLIC ACCOUNTS COMMITTEE RECOMMENDATIONS

39th Report - Progress in Making NHS Efficiency Savings [QIPP]	
Recommendations	**Government Response**
The Committee have published their recommendations	The Government to respond in due course.

28th Report - The Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust	
Recommendation	**Government Response**
Recommendation 3: Commissioners and providers need to work to develop affordable and transparent plans for both trusts that are based on realistic savings targets with mutually understood triggers for further action.	Implementation Target Date: June 2013 Commissioners, Monitor and the TDA will work together to assess local health needs and develop viable plans for local services.
Recommendation 4: Monitor should: *• revise its risk rating regime so that it is forward-looking, transparent and enables risks to be identified and acted upon before they materialise;* *• maintain oversight of major financial commitments by foundation trusts and have the ability to stop unaffordable schemes from proceeding; and* *• develop a regime of regular, in-depth financial reviews of foundation trusts.*	Implementation Target Date: October 2013 Monitor is revising its risk rating system, adding more forward looking elements in order to enable risks to be identified and acted upon at an earlier stage. The final Risk Assessment Framework will be published in October 2013. Monitor will be able to take action using its new Continuity of Service and statutory enforcement powers to address significant risks to an FT's financial sustainability if they materialise. Monitor will continue to assess the financial risk represented by transactions and reflect these in its risk ratings. Monitor will continue to review FTs' annual plans so that it can assess and manage risk for the sector as a whole.
Recommendation 5: Monitor's review should be scoped to include the financial sustainability of the whole local health economy, focus on the future, and be binding on all parties.	Implementation Target Date: June 2013 Monitor has appointed a Contingency Planning Team (CPT) to assess the sustainability of the Peterborough FT and to identify options for the future provision of its services.

17th Report - Management of Adult Diabetes Services in the NHS	
Recommendation	**Government Response**
Recommendation 1: TheDepartment should set out how the NHS will deliver improvements specifically in diabetes care under the new accountability arrangements, setting out under what circumstances and how the NHS commissioning Board will intervene.	Target Date November 2013 The Government will hold the NHS England to account for driving improvement in the quality of NHS services against the outcomes set in the NHS Mandate. Improvements for diabetes will be captured through The NHS Outcomes Framework. Action for Diabetes and guidance from NHS Diabetes on commissioning comprehensive interacted diabetes care locally will soon be published. NHS England will appoint a National Clinical Director, develop a new integrated NHS Improvement body and will be solely responsible for taking contractual action against practices that are not meeting their duties.

Recommendation 2: The Department should aim to achieve universal coverage and urgently set out clear outcomes it would expect to achieve by 2014-15 and beyond.	Target Date March 2015 and March 2015 The National Diabetes Audit (NDA) has seen a year-on-year increase of 3% since 2009. Using this trend, by 2014-15, estimates suggest that the proportion receiving all nine care processes would increase to 61%. If the revised Quality Outcomes Framework (QOF) indicator DM13 is accepted, this percentage would increase to 64%. Universal coverage will be declared when returns show that 80% of people have received all nine care processes.
Recommendation 3: The Department should set out when it expects to increase significantly the proportion of people with diabetes achieving all three outcomes, and define what that proportion should be. Patient care must be tailored to individual clinical need and patient preference.	Target Date March 2015 and March 2015 It will never be appropriate for every person with diabetes to be within the recommended outcomes ranges defined by NICE. By 2014-15, it is expected that 21% of people will be meeting all three targets. The means of achieving further improvement will be for NHS England to determine but may include QOF
Recommendation 4: The Department needs to ensure that its payment systems effectively incentivise good care and better outcomes for people with diabetes.	Target Date March 2016 Responsibility for setting tariffs currently remains with the Department but the NHS CB will take overall responsibility for the financial levers that commissioners can use to deliver their objectives. Levers include Commissioning for Quality and Innovation, Best Practice Tariffs and the proposed quality premium.
Recommendation 5: The Department should use its information to hold the NHS to account and should work with the NHS to ensure that the costs of diabetes are fully captured and understood to promote appropriate services and better outcomes for patients.	Target Date March 2015 The Department will identify potential improvements to data collection to assess whether information from the NDA and National Diabetes Information Service (NDIS) can be used to improve estimates of expenditure. The department is also investigating the feasibility of using GP information systems to identify expenditure in primary care for future years. NHS England expects CCGs to use the Outcomes Indicator Set and data provided by the NDA, NDIS, and QOF to assess their performance and plan for health improvement.
Recommendation 7: The Department and Public Health England should set out the steps they will take to minimise the growth in numbers through well-resourced public health campaigns and action on the risk factors for diabetes, such as the link with obesity, and the complications they can cause.	Target Date December 2015 The Government is committed to tackling unhealthy weight and obesity, which is a major risk factor for type 2 diabetes. Actions to date include publishing Healthy Lives, Healthy People: A Call to action on obesity in England, The Public Health Responsibility Deal, The 2013 Food Network Programme, continued investment in the Change4Life programme and the NHS Health Check programme.

16th Report – Securing the Future Financial Sustainability of the NHS

Recommendations	Government Response
Recommendation 2: The Department and Monitor should clarify how "risk pools" will work from April 2013, and how they will manage the risk of creating an uneven playing field.	Target Date April 2015 The Health and Social Care Act 2012 requires Monitor to establish one or more financial mechanisms, which might include charges on commissioners and/or levies on providers, to support the continued provision of essential NHS services in the event of a Foundation Trust or company being placed in special administration. The Department will provide funds directly to cover the costs of special administration in both 2013-14 and 2014-15 and potentially beyond that and will give further

	consideration to options for funding special administration in the longer term.
Recommendation 6: The Department should work with the NHS Information Centre to ensure that information on costs and outcomes is easy for members of the public to access and understand.	Target Date April 2016 The Health and Social Care Information Centre is planning, with NHS England, to create a safe haven containing a data infrastructure that protects patient information and makes available summaries of patient activity."

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