



The importance of the annual report and accounts

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Summary

The annual report and accounts is an official, legal document that demonstrates each NHS organisation's stewardship of public sector resources to their stakeholders.

The briefing sets out why it is important, what is included in the document and why people not involved with its production should be interested.

What is the annual report and accounts?

The annual report and accounts is an official, legal document that demonstrates each NHS organisation's stewardship of public sector resources to their stakeholders. As the name suggests, it is an annually produced document that tells the story of the year of the organisation, highlighting the significant things that went well and, equally importantly, the things that did not go so well. For example, changes to major service lines that have improved patient care or initiatives to reduce waiting times should be referenced but so should a poor review by the Care Quality Commission or major system weaknesses.

Why is it important?

NHS bodies are ultimately funded by taxpayers' money so demonstrating that resources are being used appropriately and efficiently is a vital part of maintaining public trust in the organisation and wider NHS.

All NHS organisations are required by law to produce an annual report and accounts, and it must be subject to audit by an independent auditor. It is the board's responsibility to ensure that the annual report and accounts is properly prepared and that they are happy with its contents. Once the board has approved the final document, and the auditor has concluded their work and provided their report, the annual report and accounts must be published on the organisation's website and presented to the public at an annual general meeting.

As well as being a standalone document in its own right, each individual NHS organisation's annual report and accounts is used to prepare either the [consolidated provider annual report and accounts](#)¹ or [NHS England's consolidated annual report accounts](#)² which, in turn, are used to prepare the [Department of Health and Social Care's \(DHSC\) annual report and accounts](#)³. These are also laid before Parliament and are also subject to scrutiny by the [Public Accounts Committee](#)⁴.

The information in the annual report and accounts is used by policy makers in Parliament, the Department of Health and Social Care and NHS England. It is also used by think tanks such as the King's Fund, NHS Confederation and the Nuffield Trust as well as the HFMA to help guide policy recommendations and identify where support may be needed.

NHS bodies need to decide who their key stakeholders are to be able to focus the content of the annual report and accounts. Parliament, the DHSC and NHS England will always be on the list, but other stakeholders could include the organisation's own board or governors, patients and their carers, the local authority and other members of the local integrated care system or the Care Quality Commission. It may be that the organisation produces other documents that better meet some of these other groups' needs.

Because the annual report and accounts is used by NHS England and the DHSC, there is a [strict timetable](#)⁵ for the production and the audit of the annual report and accounts. If you are asked for information from the finance team it is vital that you meet the deadline that they give you and provide as much information as you can so

the finance team can make informed decisions about the financial impact.

What needs to be included?

As a legally required document, there are certain things that need to be included. The content of annual reports and accounts must meet the requirements of the appropriate financial reporting manual. In England, this is the [Group accounting manual⁶](#) produced by the DHSC (for NHS foundation trusts, this is supplemented by the [NHS foundation trust annual reporting manual⁷](#)). In Scotland, Wales and Northern Ireland there are equivalent manuals. All of the health specific manuals are consistent with the Financial reporting manual (FReM) produced by HM Treasury. The annual report and accounts is a single document in three main parts as illustrated below.

Performance report	Accountability report	Annual accounts
Overview Performance analysis	Corporate governance report including: <ul style="list-style-type: none">• directors' report• statement of chief executive's responsibilities• governance statement Remuneration and staff report Audit report	Four primary statements Notes to the accounts

Why should I be interested?

The annual report and accounts is a long, complex document that cannot be prepared by just the financial reporting team in the finance department.

Typically, the finance team will produce the accounts and the annual report will be prepared by colleagues within governance and/or communications teams. However, while the finance team will be responsible for collating the information within annual report and accounts, many staff (both in the finance team and in the wider organisation) are involved in the process, whether they realise it or not! For example:

- If you manage stores and undertake stock takes – the finance team and the organisation's management and auditors will want to be sure that the stock held on 31 March is accurately counted.

- If you approve annual leave and overtime – the finance team will need to estimate annual leave outstanding at the end of the financial year, they may also want to understand how much overtime has been worked in the run up to the year-end.
- If you manage a budget, the finance team will want to know exactly what has been spent in each period. This is not what you plan to spend, or hope to spend, but the actual amounts owed to suppliers or staff for goods, services or work provided or performed during the financial year.
- If you can authorise purchase orders –it is important that those purchases are recorded in the correct financial year. When assets such as equipment, IT kit or furniture are involved, finance teams will be particularly interested in whether the purchase involves a lease or not and whether contract terms and conditions have changed during the year.
- If you are involved with staff employment, particularly if you negotiate the termination of contracts, it is important that approvals have been sought for redundancy payments and that they are recognised in the correct financial year.
- If you are aware of any disputes or legal cases, then the finance team need to assess whether there is any possible financial impact that needs to be considered.

Footnotes

1 NHS England, Consolidated NHS provider accounts: annual report and accounts 2022/23, January 2024

2 NHS England, NHS England annual report and accounts 2022/23, January 2024

3 DHSC, Department of Health and Social Care Annual Report and Accounts 2022/23, January 2024

4 UK Parliament, DHSC annual report and accounts 2022/23 - oral evidence, 13 March 2024

5 DHSC, DHSC annual report and accounts timetable, updated January 2024

6 DHSC, DHSC group accounting manual 2023/24, updated January 2024

7 NHS England, NHS foundation trust annual reporting manual 2023/24, February 2024



The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance.

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