



Community Health Partnerships Limited

Annual report and financial statements
Registered number 04220587
For the year ended 31 March 2021



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Contact Details

Registered Office	Suite 12B, Manchester One 53 Portland Street Manchester M1 3LD
Directors	Ms Catherine Mason (Chair) Mrs Wendy Farrington Chadd Mr Matthew Holloway Mr Malcolm Twite Mr Nafees Arif Mrs Bernadette Conroy (Non-Executive Director) Ms Claire Hewitt (Non-Executive Director) Dr Geraldine Strathdee CBE (Non-Executive Director) Mrs Charanjit Patel (Non-Executive Director) Mr Robert Alexander (Non-Executive Director)
Bankers	Barclays Bank PLC UK Banking 1 Churchill Place London E14 5HP United Kingdom
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL United Kingdom
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Registered Number	04220587

Strategic Report

The Directors present their strategic report on the Company for the year ended 31 March 2021.

Review of the business

Community Health Partnerships Limited (CHP) is a private Company limited by shares wholly owned by the Secretary of State for Health. Incorporated in the United Kingdom in 2001 with the original objective of generating, developing and delivering investment in the NHS Local Improvement Finance Trust (LIFT) Programme, the Company's responsibilities have grown in response to the Department of Health and Social Care's developing requirements.

Purpose

CHP exists to provide high quality health and social care facilities which meet local need. The Company works with a range of partners to provide innovative and sustainable spaces for the benefit of patients, service users, and those who care for them. The Company maximises the benefits of its existing assets and responds to needs for new developments. CHP has a unique set of skills and experience in community infrastructure development, property management and commercial investment.

The Company is headquartered in Manchester and operates through a matrix structure that has Executive Board Directors that lead on functional areas. The Manchester office is located at Manchester One with a further two regional offices in Birmingham and London serving the Midlands and South Regions respectively.

Results and Performance

The results of the Company for the year, as set out on pages 33 to 85 show a loss on ordinary activities before tax of £4.4m (2020: loss of £3.1m restated), versus a budgeted profit figure for the year of £3.9m (2020: £3.7m). The loss is a result of the inclusion of the cost in relation to lifecycle maintenance within the Statement of Comprehensive Income. Underlying operating profit is £21.7m (2020: £25.6m) which varies from an expected profit of £3.954m (2020: £3.710m) due to larger than expected dividend receipts and a general increase in building valuations which limited the impairment charged through the Statement of Comprehensive Income. The shareholders' funds of the Company total £648.4m (2020: £675.1m). The Directors do not propose the payment of a dividend for the financial year (2020: £ nil).

The Company continues to operate within the Department of Health and Social Care Group with income, consisting of Operating Revenue and Financial Income, for the year of £425.1m (2020: £412.3m). The Company invests equity and subordinated debt in LIFT companies and the projects undertaken by the LIFT companies, often structured via special purpose companies. During the financial year, the Company's investment portfolio decreased from £92.6m to £90.6m.

Strategic Report *(continued)*

Results and Performance *(continued)*

As Head Tenant, the Company continues to put considerable efforts into recovering rents and other charges from both Tenants and Commissioners. Given the clear obligation of debtors to pay, and the NHS funding model in place, this manifests itself as a cash management rather than an income and expenditure risk with the Company ending the year with borrowings of £157.3m (2020: £162.5m) against a Department of Health and Social Care Flexible Loan Facility. Wider, non-financial, determinants of performance continue to indicate encouraging results as the Company continues to adapt and deliver its responsibilities.

Business environment

During the year the Company continued to work closely with customers, supporting their needs throughout a year heavily impacted by COVID-19. This support is best demonstrated by the Company's quick reaction to the needs of the NHS, reprioritising business operations throughout the year to provide additional space, support and services where customers needed them. The Company has also supported the vaccination programme establishing multiple sites to enable local vaccination delivery.

Whilst the COVID-19 pandemic and vaccine roll out has recently impacted the majority of the Company's customers, this has not significantly altered the challenges previously faced. Continued improvements to the quality of data now held and the continued maturing of systems has enabled greater clarity and more efficient business operations when dealing with our customers but challenges inherent in system funding continue and delays in payment result in increased costs from working capital requirements. The continuing evolution of the health system and our response to its needs is summarised in the section below on Future Developments.

Our customers

CHP is committed to delivering excellent customer experience throughout all company activities and during 2020/21 we have established a Customer Experience Steering Group to ensure that customer experience is at the heart of everything we do.

We have a wide range of customers from the tenants that operate out of our buildings to Clinical Commissioning Groups (CCGs) to our own staff and our priority is to improve the customer experience for all customers.

To ensure we are able to monitor and maintain a high level of customer experience across all customers we have created 5 customer groupings each with their own unique requirements. The groupings are as follows:

- Building users and tenants
- Health economies
- Policymakers
- Suppliers and partners
- Internal

Strategic Report *(continued)*
Our customers *(continued)*

Details on how we look to work with each grouping can be found within the S172 statement on page 12.

Strategy

Our priorities lie in the transformation of community-based, out of hospital, health and social care. We are ambitious, willing to innovate and seize opportunities in order to deliver improved health outcomes in local communities. In the second year of our 5-year strategic planning period, our objectives reflect the need to further strengthen our foundations, through improving systems, processes and supporting our workforce to deliver for our customers.

The Company's success in 2020/21 was dependent upon the effective delivery of the annual business plan supporting the 5-year strategic priorities across 5 key areas:

Property Management	We will seek to build upon our expertise in managing infrastructure to make sure our space is used in the most effective way by providing tool kits and data to our customers supporting them to make the best decisions about how to use our space. We will be clear about what our customers can expect from us to improve customer satisfaction.
Investment Portfolio	We will maximise the value of our investments through active stewardship of our LIFT Companies, looking to further develop and enhance the partnering services available to our customers. We will continue to consider the available options in relation to estates solutions that may be delivered through our Public Private Partnerships and support this by embedding a Partnering and Engagement Team to work with customers at a local level.
The Estate of the Future	We will work with our partners and customers to ensure our buildings are core strategic assets and unlock the potential of underutilised space. We will deliver data to our customers to support estate strategies and provide the evidence base required for change. We will use our available capital to deliver a programme of investment to align our estate with clinical needs.

Strategic Report (continued)
Strategy (continued)

People and Systems	We will develop a digital first approach across the company, reviewing our systems, process and use of data to strengthen the effectiveness and resilience of our digital environment. We will support staff during the year through the People Programme and continue to support high performing teams. We will continue to invest in the workforce through training with a focus on both upskilling staff within their jobs and focusing on wellbeing initiatives and personal development.
Finance	We will deliver a financial performance in line with the requirements of our Shareholder and ensure that we maintain a full cost recovery model as Head Tenant on our CHP estate. We will continue to support the initiatives that continue to add value and deliver financial efficiencies to the benefit of our building users.

Key performance indicators (KPIs)

CHP's response to the challenges over the past 12 months has been one of focus, effective change management and systems development driven by a significant and ongoing commitment by the Board, Leadership and Staff team to effectively and efficiently deliver our objectives and provide a high quality of service for our customers.

As well as monitoring key financial metrics the Board monitors the progress of the Company by reference to a range of output-based measures and these are monitored through the Company's Performance Framework Report. The establishment of the Strategic Delivery Team to deliver the Company's 5-year strategy has enabled the evolution of 3 Steering Groups focussed on the collaborative delivery of the Company's strategic objectives and achievement of the annual KPIs.

A number of key financial KPIs measure the performance of the business during the year and these can be split into two distinct groups; profit before tax and cash.

The operating budget for the year ended 31 March 2021 showed a profit before tax figure of £3.9m with the actual result being a £4.4m loss. The Loss is a result of the inclusion of the cost in relation to lifecycle maintenance within the Statement of Comprehensive Income. Underlying operating profit is £21.7m. This increase is attributable to additional dividend receipts, tight cost controls and the effect of accounting adjustments in relation to the annual valuation of the property portfolio.

During the year, the Working Capital Loan balance with DHSC was reduced by £5.2m (2020 £5.0m) in exchange for share capital and the transfer of liabilities held with other NHS organisations. At the year end, the overall cash position is higher than in the prior year at £62.1m (2020: £33.3m).

Strategic Report *(continued)*

Key performance indicators (KPIs) *(continued)*

A business plan and associated operational plan was agreed for 2020/21 with key indicators being presented to the Board throughout the year by way of a Performance Framework Report.

In addition to financial KPIs, the achievement of the Company's strategic objectives are measured and monitored via a balanced scorecard of performance indicators which are split between Operational and Financial domains. In total 8 KPIs (5 Operational and 3 Financial) were monitored and reported to the Board during the year.

The ongoing response to COVID-19 resulted in a need to review a number of KPIs as delays in starting key projects or the inability for some tenants to occupy new space meant that the targets set were reduced in year. Company performance for 2020/21 against these KPIs is summarised as follows;

Operational KPIs

Key Performance Indicator	Performance
Reduce unlet space (ILA) by 1,500 m ²	A focus on utilisation across the company has led to the Company achieving this target by reducing unlet space across the estate from 26,182 m ² to 24,686 m ² . This was supported by initiatives such as the roll out of WiFi and through local engagement with customers
Maintain level of regularised tenancies at or above 80% AND ensure that deemed agreements are in place for over 95% of occupancies	<p>The Tenancy team has successfully maintained a regularised lease rate above 80% with 81.42% of tenants signed up to a regularised lease on 31 March 2021. To achieve this target 107 new leases were completed during the financial year.</p> <p>The team also ensured that 96.21% of tenants had a deemed agreement in place as at the end of the financial year which was achieved by obtaining 187 deemed agreements during the year.</p>
Assurance that LIFT Co contracts are being managed in a way that delivers best value for under tenants (Balanced Scorecard)	<p>Measured during the year using a Balanced Scorecard methodology this KPI focussed on 4 key areas; Health & Safety Compliance, Responsiveness, Payment Mechanisms and Reporting Obligations.</p> <p>In achieving this KPI we undertook a baselining of the current performance which enabled effective monitoring through standard monthly reporting. Engagement with our LIFT Company partners improved responsiveness and the processes required to ensure contracts were being managed effectively.</p>

Strategic Report (continued)
Key performance indicators (KPIs) (continued)

<p>Deliver Capital Programme of £5.7m</p>	<p>Total capital spent on CHP funded schemes totalled £5.7m which meant the target for the year was achieved. This included £2.4m of capital received from Subordinated Debt investments in LIFT Companies with the remainder funded via the issue of Shares to the Secretary of State for Health & Social Care. Included in this figure is investment in Foleshill, a CHP funded scheme based on sustainable, Passivhaus, design.</p> <p>This spend refers to CHP's direct investment into infrastructure schemes and projects and does not reflect overall property additions which includes the addition of Tessa Jowell as a right-of-use asset under IFRIC12.</p>
<p>Improve Customer Satisfaction (Balanced Scorecard)</p>	<p>Measured during the year using a Balanced Scorecard methodology this KPI focussed on 4 key areas; Strategic Relationships, Tenant/Customer Experience, LIFT Companies and Investors, and Responsiveness.</p> <p>In achieving this KPI we undertook our annual Employee and Tenant surveys with strong results again achieved in the Employee Survey and continued improvement highlighted from the Tenant Survey results. We also looked to supplement the information from the annual surveys with regular targeted surveys on smaller customer groups which all returned positive results.</p>

Financial KPIs

Key Performance Indicator	Performance
<p>Deliver the surplus set out in the agreed Financial Plan of £3.9m</p>	<p>There is a full year surplus of £21.7m before the lifecycle amendment, against the target of £3.9m which is attributable to additional dividend receipts, tight cost controls and the effect of accounting adjustments in relation to the annual valuation of the property portfolio.</p> <p>The Company continues to operate a full cost recovery model in relation to the costs of managing the estate as Head Tenant. Any surplus in relation to the property management function is a result of accounting adjustments due to the change in the value of the portfolio.</p>

Strategic Report *(continued)*

Key performance indicators (KPIs) *(continued)*

Reduce in-year debtor days for 2020/21 charges to 65 days or less	Debtor days at the end of the financial year were reduced to 64 days as a result of strong cash collection from tenants. There has been little impact on the collection of cash from tenants as a result of COVID-19 and the adoption of digital communication channels has improved engagement with tenants during the year.
Ensure that at least 50% of CCGs are either making direct payments or are committed in writing to make direct payments from the start of 2021/22 or at the earliest opportunity following system automation	<p>This target has been achieved with 36 Clinical Commissioning Groups (CCGs) out of a possible 68 committed to, or paying via, direct payments at the year end. This includes 15 CCGs already making direct payments on behalf of CCGs at the end of the financial year.</p> <p>A number of CCGs are looking to move to direct payments once a key system is rolled out in 2021/22 which will support them to allocate the payments efficiently and reduce the amount of manual input which is currently required.</p>

Principal risks and uncertainties

Throughout the financial year the UK has been responding to the COVID-19 pandemic which has and continues to have an unprecedented impact on the economy and the infrastructure that supports it. As a member of the Department of Health and Social Care Group we have been responding to the needs of the NHS at this time and will continue to do so for the foreseeable future.

Our workforce has spent the majority of the year working from home as a result of COVID-19 and we acknowledge that this will have a lasting impact on the long-term workplace for our staff. We will continue to prioritise the health and wellbeing of our teams and ensure they are supported and communicated with as often as required. For our tenants and building users we have brought in additional processes to address the requirements around health & safety including the implementation of social distancing and the provision of personal protective equipment. As services continue to operate from our buildings, we will continue to support the health and safety needs of those using our properties.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies have been subject to Board approval and ongoing review by management, risk management framework and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Board.

In 2020/21 we have continued our focus on regulations on climate change and environmental reporting. Additional disclosures regarding the environmental impact in

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are discussed in the notes to the financial statements. Environmental issues are not deemed to be a principal risk. The Company's environmental footprint derives primarily from staff travel and energy usage within office premises, which has reduced during the year as a result of COVID-19 restrictions. Improvements are continually being implemented to achieve reductions across these areas. Regarding CHP's supply chains, due diligence is exercised through the Company's procurement processes as well as ongoing contract management.

During the year ended 31 March 2021 these activities were reviewed by the Audit Committee, Finance, Investment and Systems Committee, People, Culture and Remuneration Committee and Property and Tenant Management Committee operating under delegated authority from the Board. The Board has agreed that full compliance with the requirements of the Financial Reporting Council's Combined Code on Corporate Governance, annexed to the Listing Rules of the Financial Services Authority, would be excessive for a private limited company of this nature. The Company does, however, comply with the Corporate Governance in Central Government Departments: Code of Good Practice 2017.

The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial and other risks and that controls operate effectively. This includes the provision of an Annual Governance Statement, signed by the CEO for submission to DHSC. The Company operates a corporate risk register, which is formally reported to the Board and Audit Committee and reviewed by the Management Team on a regular basis. Additionally, each function operates individual risk registers, which are reviewed at monthly team meetings and the relevant committees and are owned by the relevant director. On 01 April 2020 Mazars LLP began their appointment to provide the Company's internal audit function and have performed the role throughout the year. The internal audit function has strengthened risk management by providing independent advice and review of the management systems deployed. The principal risks and mitigations are summarised below:

Financial Corporate Risks

<p>Liquidity Risk to CHP through its Head Tenant operations including the risk that CHP fails to generate sufficient recurrent income to retain business functions and continue trading as a going concern. This risk is ultimately mitigated by the indemnity from the Secretary of State which ensures that funds will be made available to meet the costs of the LIFT estate both now and in the future. Likewise, funds cannot be extracted from the Company for use by DHSC. The Company also operates effective budgeting and cash flow management and through established relationships with and regular reporting to the Department of Health and Social Care has continued to meet its financial obligations during 2020/21. CHP aims to further improve billing and cash collection by working with NHS England, the DHSC, commissioners and tenants to establish solutions to long-term issues re system debt. This includes the continued roll out of a direct payment system for reimbursable GP debt.</p>

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Counterparty credit risk in respect of the payments of interest and capital on subordinated debt advanced to LIFT companies as well as in respect of its receivables. These risks are managed through the Company's representation on the Boards of the LIFT Companies; the regular monitoring of information provided by the LIFT Companies; and through the scrutiny provided by the Finance, Investment and Systems Committee and the Company's Investment function.

Non-Financial Corporate Risks

Building utilisation is not optimised – mitigated by ongoing strategic projects such as Dynamic Capacity Management (specialist software to assist CCGs in managing usage of the building) and WIFI (project to ensure all properties are WIFI enabled to enhance demand).

Impairment of investor returns through the poor performance of individual LIFT companies – mitigated by directorships on LIFT Company Boards and monitoring of key performance information.

Serious incident leading to harm and/or prosecution under Health and Safety legislation – mitigated by qualified Health and Safety Team responsible for compliance and staff training. Health and Safety arrangements are also overseen by a dedicated Health and Safety Committee and monitored closely by the CHP Board via regular reporting.

Ineffective contracts management of Soft FM Contractors – this remains a relatively new function within CHP having been established in the prior year as part of CHP's move to bring Soft FM under direct management. Work must continue to refine the processes relating to this to drive efficiencies and achieve long-term cost savings through dealings with our suppliers. Mitigations include an experienced National Contracts Team, the recent establishment of a new Helpdesk facility and the continual monitoring of the interaction between contract management processes and financial systems.

Ineffective stakeholder engagement - Failure by CHP to effectively engage with the system resulting in failure to identify opportunities to support the healthcare system and deliver for the NHS's Strategic Transformation Plans (STPs). This is mitigated through the Company's Partnering and Engagement work upon which there is a high strategic emphasis and which is cascaded and monitored via the Company's risk management and performance frameworks.

Other Risks and Uncertainties

Disaster recovery and Information Technology failure – mitigated by performance managing the service contracts and continual revision of policies and procedures.

Significant changes in policy and legislation – mitigated by Department of Health and Social Care shareholder representation on the Board and engagement in policy development.

Impact on business model and operations as a result of economic uncertainties as a result of COVID-19 - As at the date of this report, uncertainties loom around the impact of external factors on business operations due to the impact of COVID-19. As the country responds to the COVID-19 pandemic it has been acknowledged that the Company may have to take a flexible approach to delivering its business plan for

2021/22.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Other Risks and Uncertainties

Impact on business model and operations as a result of economic uncertainties as a result of Brexit - As at the date of this report, uncertainties loom around the impact of external factors on business operations due to the impact of Brexit. The agreed Brexit deal is not expected to lead to an adverse climate which would lead to price increases, however the effects of this will be monitored closely via the Company's reporting and risk management frameworks so that timely action can be taken in response to emerging issues. Any price rises within the ancillary services provided to building users will be passed on at cost.

S172(1) Statement

The Board of Directors, in line with their duty under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its parent company, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Details of our key stakeholders and how we engage with them are set out below:

How we engage and consider our stakeholders in our decision making

Stakeholders play a key role in CHP's long-term decision making and their interests and concerns carry a heavy weighting in all Board decisions and approvals. Consideration of this is key in the formulation of CHP's Annual Business Plan which works towards the delivery of the Company's Five-Year Strategy. By thoroughly understanding our stakeholder groups, we factor their needs and concerns into Board discussions. CHP engages extensively with a wide range of stakeholders.

One of the key strategic developments in 2020/21 was a decision by the Board to establish a new Senior Leadership Team replacing the Executive Management Team and increasing the number of members from 4 to 12. The purpose of this was to increase the subject matter expertise within the leadership of the company and to ensure that a wide range of views from across the Company are included in key decisions.

Strategic Report *(continued)*
S172(1) Statement *(continued)*

This increases the number of different stakeholder interests and concerns considered during the decision-making process. Some further examples of the way in which stakeholder interests and concerns were considered in decision making are set out below.

The interests of the Company's Employees

We work to attract, develop and retain our best teams, equipped with the right skills for the future. We recognise our people have a crucial role in delivering our strategy and creating value. We support them to develop and empower them to improve the provision of health outcomes for the users of services across our portfolio. Please refer to "Action on Employee participation" on page 18 for further information on how CHP acts on the interest of its employees.

Fostering Business relationships with suppliers, customers and others

Our broad customer base has been grouped into 5 key customer grouping as outlined on page 4. Please refer to "Action on Employee participation" on page 18 for further information on how we support our internal customers.

Building users and tenants

Our broad customer base spans many sectors of primary and community care. Our tenants include NHS Trusts, GP practices, local councils, pharmacies, dentists and other public sector bodies. We work closely with our building users and tenants to understand their evolving needs so we can improve and adapt to meet them. This is achieved through continuous dialogue, information sharing and addressing their issues in a timely manner. Tenant surveys are used to inform key strategic decisions that benefit our tenants and drive continual improvement. Through our property team we interact directly with our building users and tenants on a daily basis listening to and responding to their concerns.

Regular building user group meetings are hosted by our Property Managers in order to capture the collective views of tenants. Feedback is formally reported upon and communicated via management through committees and ultimately up to Board level to inform decisions that are in the interest of our customers.

Health economies

This grouping includes Clinical Commissioning Groups (CCGs), Sustainability and Transformation Partnerships (STPs) and emerging Integrated Care Systems (ICSs) who all look to manage the use of the estate within local health economies. CCGs are also fundamental in commissioning the use of space within our buildings. We engage directly with these customers from many aspects across our business. Our Property and Developments teams work with CCGs to deliver for their infrastructure needs, including variations to the buildings to accommodate space for new tenants.

Strategic Report *(continued)*
S172(1) Statement *(continued)*

Our Partnering and Engagement team works with CCGs, STPs and ICSs to support the development of estate strategies to meet future need. Likewise, from a financial perspective, there are high levels of engagement as we work with CCGs to facilitate a new direct-payments system to facilitate the flow of system funds. Once again, this type of engagement spans across all our strategic areas which is supported by a robust reporting system ensuring all customer matters are communicated to the Board.

Polymakers

We work with those responsible for developing and implementing national policy in the areas of estates, capital investment and primary care within NHS England/NHS Improvement and the Department of Health and Social Care (DHSC). Developing relationships with key teams ensures we support national or regional initiatives to bring significant benefit to the NHS. As shareholder of the Company and with representation on the Board DHSC keeps the Board updated on the policy issues across the NHS. DHSC is also included in all strategic and financial decisions taken by the Company. Our Partnering and Engagement team maintains strong relationships within NHS England/NHS Improvement through regular meetings and joint participation at regular meetings focussed on national estates strategy.

Supplier and Partners

We nurture and develop relationships with key partners through regular Investment forums with our LIFTCo's and private sector partners. Relationships are also strengthened through our Company's Investment Directors who are members of LIFTCo Boards. Investment Directors attend the company's quarterly Finance, Investment and Systems Committee (FISC) where key reports are presented regarding LIFTCo activity and performance. Likewise, outcomes of Investment Forums are communicated and escalated upwards to all Board members to inform decisions.

We depend on the capability and performance of our suppliers, contractors and other partners, such as our LIFT companies, Management Service providers, and Facilities Management Service companies to help deliver the products and services we need for our property management operations and our customers. We have dedicated contracts management teams in place to manage the contractual relationships with these parties. Contracts meetings are conducted regularly with suppliers. A new Soft FM Helpdesk facility has been implemented to help facilitate operations and three-way communication between CHP, suppliers and tenants.

The impact of the Company's operations on the community and the environment

CHP is committed to acting in the interest of the community whilst striving to minimise the Company's overall impact on the environment.

Strategic Report *(continued)*
S172(1) Statement *(continued)*

We consult with local people through health forums including STPs, Clinical Commissioning Groups and Primary Care Networks to gain valuable perspectives on the ways in which our activities could impact the local community or environment. These conversations continue throughout the local health economies with a common purpose to improve patient outcomes.

In 2020/21 the Board approved the Company's first Corporate Social Responsibility Strategy which sets out under 4 areas of commitment: Wellbeing, Community, Sustainability, and Skills & Opportunity. The strategy sets out what we aim to do to deliver in each area and for the benefit of the communities we operate in. Following the approval of the strategy we have started to look at how the Company can ensure it continues to act in the best interest of communities and how we can measure the social value of the activities we undertake.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company actively strives to maintain high standards of business conduct and helps to ensure this through a robust set of Company Values in the form of the "The CHP Way". This includes values such as "Delivering an excellent service", "Doing what we say we'll do" and "Investing in relationships". HR policies, including a code of conduct, sets out the standards expected of our employees. These are communicated to Staff through the Company's Staff Handbook. Complaints handling procedures are in place and the frequency and nature of complaints are monitored through the Company's Audit Committee to oversee remedial action where required.

Acting fairly between members of the Company

Community Health Partnerships is 100% owned by the Secretary of State for Health and Social Care. There is shareholder representation on the CHP Board as well as on each of CHP's Board Committees. In this way our shareholder contributes to all key business decisions and approvals made by the Board.

Environmental Reporting

Details on CHP's environmental management is included within the Directors' Report on pages 16-22 of these Financial Statements.

The Strategic Report was approved by the board of directors on 16 December 2021 and were signed on its behalf by:



Ms Catherine Mason
Chair

Date: 16th December 2021

Directors' report

The directors present their Annual report and audited financial statements for the year ended 31 March 2021. Under s414C(11) of the Act, the directors have included in the strategic report disclosure of matters relating to business results, key performance indicators, and risks and uncertainties, as required by regulations made under ss416(4) to be disclosed in the directors' report, owing to its strategic importance to the Company.

Directors

The directors who held office during the year and up to the date of signing were as follows:

Mrs Bernadette Conroy
Dr Susanna O'Connell (Resigned 14 July 2021)
Mr Mark Day (Resigned 20 November 2020)
Ms Gillian Hunt (Resigned 12 February 2021)
Mrs Wendy Farrington Chadd (Appointed 14 July 2021)
Mr Matthew Holloway (Appointed 14 July 2021)
Mr Malcolm Twite (Resigned 14 July 2021, reappointed 14 September 2021)
Mr Nafees Arif (Appointed 01 December 2021)
Ms Claire Hewitt
Dr Geraldine Strathdee CBE
Mrs Charanjit Patel
Mr Robert Alexander
Ms Catherine Mason

Political and charitable contributions

The Company made no political contributions during the year to 31 March 2021 (2020: £nil). During the year, the Company made charitable donations totalling £5,500 to the following registered charities: YoungMinds Trust, Child Poverty Action Group, Teenage Cancer Trust, Carers UK, Wood Street Mission, Cancer Support Yorkshire, St Petrocs, and The Mary Stevens Hospice (2019: £500).

Policy for disabled

CHP works to aid the recruitment and retention of disabled staff. Measures in place include guidance for managers and staff in the form of Equality and Diversity training covering such issues as anti-bullying, harassment and discrimination and relevant laws in relation to all individuals with protected characteristics. Qualified HR staff ensure that all necessary regulations are followed, both in terms of recruitment and ongoing employment, and act strictly in accordance with the Equality Act 2010. Training, career development and promotion of disabled people sits inclusively within CHP's relevant policies and provisions are made where required to ensure that these individuals have opportunities equal to their non-disabled counterparts. It should be noted that such measures also apply to employees who may become disabled during the course of their employment with CHP. Occupational and mental health support is readily available to all employees.

Directors' Report *(continued)*
Policy for disabled *(continued)*

The Company is obliged to provide 'reasonable adjustments' under the Equality Act 2010 to employees with a disability. This is to ensure that employees with a disability are able to develop, prosper and fulfil their potential on a level playing field. In doing so, CHP works to provide the necessary accommodation and facilities for employees with a disability or health condition (covering both physical, mental and learning disability conditions). This includes workplace adjustments which can be made to remove barriers including both physical features of the workplace or a change in working arrangements. What constitutes a workplace adjustment will vary depending on the individual and will also involve providing extra support where needed.

Action on employee participation

CHP ensures communication and engagement with staff primarily via its Communications Function. Included in this is the Company's intranet site "myCHP" which is fully embedded throughout the company. The site includes a 'people' section to help staff develop and a resource library which provides access to useful corporate information, templates, policies and procedures. A formal Communications Strategy is produced annually which ensures that employees are systematically provided with information on matters of concern to them. This is accompanied by ad-hoc publications on key emerging issues.

Regular staff huddles take place across four regions led by Senior Leadership Team members on a rotational basis. This informs staff of all key messages including but not limited to achievements, issues and opportunities relating to the Company and its current operating environment. It provides an opportunity for staff to ask questions on Company matters relevant to them and to feedback from their areas on any issues or successes they want to share. Key issues raised by employees through the staff huddles or directly with a member of the Senior Leadership Team are captured and discussed as necessary by the Senior Leadership and reported to Board as required. The Chair of the Board provides a Companywide update following each Board meeting, informing employees on the main issues discussed at the meeting. Staff feedback is provided in the form of an Annual Staff Survey with results subsequently published and measures initiated by management to address issues raised.

The performance of employees is driven by the Company's Appraisal process which incorporates annual objectives for each employee, informed by both Functional and Corporate Objectives linked to the Company's business plan. Bi-annual 'All Staff Days' focus on performance, including financial performance and strategy, encouraging Company-wide involvement in future Company plans. These staff days are attended by all Executive directors and members of the wider Board, providing the opportunity for all employees to engage directly with the Board members on a regular basis.

During 2020/21 staff have been working remotely during the COVID-19 pandemic and technology has been used to ensure that regular staff briefings and virtual 'All Staff Days' have still taken place. This has included ensuring that members of the wider Board attend to give employees the same opportunity to engage directly with the Board.

Directors' Report *(continued)*

Action on employee participation *(continued)*

When required the Company actively engages with Trade Unions in order to support the needs of staff and resolve any collective issues arising.

CHP's Board holds the interests of its employees as a priority and has recently agreed to evolve the Remuneration Committee into a broader People, Culture and Remuneration Committee in line with best practice. Key employee matters, such as the Company's Health and Wellbeing Strategy will be overseen by this committee. A robust system of reporting is in place to communicate all key matters to the Board and inform decision making with regards to this. KPIs are in place that capture collaboration across our workforce via the aforementioned measures and are monitored by the Board under the Company Performance Framework and reporting procedures. The results of the staff survey are reviewed by the Board along with management's accompanying action plan in response to this. Progress in relation to this action plan is monitored by the Board.

CHP's committees act as the primary channel of communication between operational management and the Board. Whilst formal membership on these committees is restricted to Executive and Non-Executive Board members (including DHSC representatives), all relevant management personnel attend each meeting. These committees provide an open and transparent forum within which management can discuss relevant business matters with Board members. Committee, and hence Board decisions, are driven by the outcomes of these meetings.

Senior management also interact directly with the Board by attending Board meetings on a rotational basis to discuss areas of strategic delivery for which they are responsible. This provides management with the opportunity to input directly into discussions around company strategy and progress, whilst providing the board with insight into management's opinions.

Environmental reporting

CHP's Business model is based on its 5-year strategy which aligns with the NHS's Long-Term Plan. This aims to enable the sustainable future and development of the NHS Health Care Estate. Each year CHP's annual business plan is devised in line with this strategy and focuses on sustainable environmental practices. As part of this, CHP has committed to reduce the environmental impact of its buildings as well as aligning environmental plans with the aspirations of the Government's commitment to net zero greenhouse emissions by 2050. Current year efforts have included the creation and approval of a Corporate and Social Responsibility Strategy which includes CHP's aspirations for minimising its environmental impact. This will form the basis for creating a Company-wide culture of environmental consciousness as well as a more specific action plan with regard to CHP's net zero carbon commitment.

The following table summarises CHP's energy usage and Greenhouse Gas emissions for the year ended 31 March 2021.

Directors' Report *(continued)*
Environmental reporting *(continued)*

	2020/2021			2019/2020		
	Head Office Energy Usage (Electricity) MWH	Green House Gas Emissions (CO2kg)		Head Office Energy Usage (Electricity) MWH	Green House Gas Emissions (CO2kg)	
		Travel (Rail, Air, Hotel)	Fuel Consumption (Mileage)		Travel (Rail, Air, Hotel)	Fuel Consumption (Mileage)
	27.96	590.98	19,203	56.92	57,268	109,915
Tonnes of CO2 per total £'m sales revenue		0.01	0.05		0.15	0.28

Methodologies used in calculation of disclosures

"Head office" consists of CHP's three regional premises, London, Manchester and Birmingham and has been calculated using information directly available from the Company's energy providers. Emissions generated by gas are not possible to calculate due to CHP not having any direct supply. Some Gas is used through shared services from the Landlord and currently there is no way to obtain this information due to common occupancy of the buildings.

For travel (rail, air and car), Greenhouse Gas emissions have been calculated by converting mileage travelled by CHP staff members into CO2/kg. Hotel emissions have been calculated based on the duration of the stay in nights. The following conversion rates published by the Government for the year ending 31 March 2021 have been used:

	kg of CO2 released per mile
Bus	0.05
Car - Diesel CO2 (kg)	0.29
Car - Petrol CO2 (kg)	0.30
Flight	0.25
Rail	0.07
1 hotel night	27.91

Dividends

The Directors do not propose the payment of a dividend for the financial year (2020: £nil).

Directors' Report *(continued)*

Future developments

Our Business Plan can be found on the Company website at the following location www.communityhealthpartnerships.co.uk and describes how, this year, our plan is to put customer experience at the heart of everything we do. Following customer feedback from across our customer groupings we have taken the opportunity to refresh our strategic priorities reflecting an evolution in the way we look to meet the needs of customers. Our new strategic priorities are: High Quality Buildings, Estate of the Future, Excellent Investment Management, and A High Performing Organisation.

By putting customer experience at the heart of our strategy we will ensure that we listen to the needs of customers and respond swiftly. We will proactively act on insight and opportunities emerging from national policies such as the newly emerging Integrated Care Systems (ICSs) to find innovative solutions in response to the needs of our customers, stakeholders and shareholder, now and into the future.

A key development over the last year has been the establishment of 3 core Steering Groups overseeing delivery in the areas of: Customer Experience, Optimisation, and Digital. These 3 Steering Groups bring together the ten workstreams established in the previous year to ensure that we are delivering our strategy collaboratively.

The establishment of the Senior Leadership Team which had increased the number of individuals in the most senior leadership group from 4 to 12 has improved the line of sight throughout the Company and will speed up decision making. This will allow the Company to provide an agile response to the changing needs of the customer throughout the year.

The COVID-19 pandemic still presents a risk to the timeline of delivering the strategy as set out in the Business Plan. We have successfully delivered our targets for 2020/21 by ensuring that we adapted a prioritised activity according to the needs of the COVID-19 response and if required we will do this again to ensure that we are able to respond fully to any national need as required. We will continue to closely monitor this and if needed, changes will be made to the Plan in response to the changing NHS and national environment.

In our role as Head Tenant for the NHS LIFT Estate, we will continue to ensure that all users and tenants of LIFT buildings have access to a modern, safe, efficient, high quality and well maintained estate, which improves the experience of patients, staff and other service users and that the buildings are used to their maximum potential.

Our Partnering & Engagement Team will work with our system partners to enable transformational change, meeting their demands and increasing utilisation of existing estate. The Company will continue to work with local health economies to identify and assist in the development and implementation of innovative estates solutions, delivering more flexible use of space, improved patient outcomes and system wide savings.

Directors' Report *(continued)*
Future developments *(continued)*

CHP will continue to work closely with NHS England/NHS Improvement to assist in future solutions and, where appropriate, secure development opportunities in order to deliver for the wider NHS.

Financial risk management

The management of the financial risks of the Company is discussed in the Strategic Report on pages 10 and 11 and in note 25 of the notes to the financial statements.

The Company has chosen, in accordance with section 414C (11), to set out in the Company's strategic report information required by section 7.

Third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Subsequent events

There are no known events after the end of the reporting period that have occurred that would have a material impact on the financial statements (note 30 of the notes to the financial statements).

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 16. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the annual report.

The company has considerable financial resources underpinned by a deed of indemnity that commits the Department for Health and Social Care to meeting the overall operating costs of the Company in relation to the assets transferred from Primary Care Trusts to the Company in 2013, ensuring that the company has sufficient cash resources to meet its obligations.

The company meets its day to day working capital requirements through a Shareholder loan and Flexible loan facilities of £215 million provided by its parent entity, the Department of Health and Social Care. The current economic conditions create uncertainty over both the receipt of and timing of settlement of invoices raised to tenants.

In February 2021 the company successfully extended its shareholder loan and flexible loan facilities with the Department of Health and Social Care and these facilities will now both expire on or after 1 April 2023. The company extends the facility each year and expects to extend these again in quarter 4 of 2021/22.

Directors' Report *(continued)*
Going concern *(continued)*

The Company's cash flow forecast reflects the expected timing of income from tenants and payment of costs in relation to the LIFT estate and the administration costs of the Company and the Company expects to be cash positive through the forecast period.

A sensitivity analysis of the cash flow forecast has been conducted to 31 March 2022. Using this forecast, the directors conclude that any reduction in the forecast level of cash receipts, due to changes in the timing of tenant income, would not exceed the level of current facilities held and the Company would continue to be able to meet its liabilities on an ongoing basis as they fall due. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Impact of COVID-19

At the onset of COVID-19, CHP adjusted its operations to quickly respond to the additional needs of its tenants. Remote working was readily established across the organisation and is still in operation at the time of this report.

COVID-19 has impacted CHP operationally but not affected it financially. Cash receipts from tenants have continued in line with prior year trends. As CHP's customer base is made-up primarily of NHS System debtors, future cash receipts are unlikely to be affected by this. As a DHSC-owned entity, CHP is likely to remain unaffected by any adverse economic consequences of COVID-19. The directors are therefore confident that no going concern issues exist in relation to this.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board



Ms Catherine Mason
Chair

Suite 12B, Manchester One
53 Portland Street
Manchester M1 3LD

Date: 16 December 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Arrangements

CHP is governed by the Board comprising a non-executive Chair, five additional non-executive directors and three executive directors, one of which is the Chief Executive Officer who is also the Accountable Officer for the Company. The other executive roles are the Chief Financial Officer and the Executive Director Property Performance. The Chief Operating Officer left the company in November 2020 and the previous Chief Financial Officer resigned in February 2021.

The Senior Leadership Team (SLT) consists of the Executive Directors along with other Directors and Associate Directors of the Company who do not sit on the Board. The SLT meets monthly to provide strategic leadership to the Company and membership allows a clear line of sight to all areas of the company.

The Board sets the overall company strategy, agrees the Business Plan with its associated short and medium-term performance and operational targets, assures itself of the achievement of those targets and the management of the resources available to deliver them.

Non-Executive Directors and recent Board Changes

The Board continues to draw expertise from other businesses, Primary Healthcare and the NHS through its non-executive directors. As at 31 March 2021, there were 6 non-executive directors on CHP's Board, including one Department of Health representative.

As noted above there have been two changes which have taken effect during the year to 31 March 2021. These are:

- Mark Day, Chief Operating Officer resigned as Executive Director and Chief Operating Officer in November 2020.
- Gillian Hunt, Chief Financial Officer resigned as Executive Director and Chief Financial Officer in February 2021.

Board Changes after the year ended but before signing

The Chief Executive Officer on CHP's board retired in July 2021 and as a result stood down from the board as of 14 July 2021. Following this, further changes to CHP's Board took place to listed directors:

- Wendy Farrington Chadd appointed as Interim Chief Executive Officer in July 2021
- Matthew Holloway appointed as Interim Chief Financial Officer in July 2021
- Nafees Arif was appointed to the board on 01 December 2021 as Chief Financial Officer.
- Malcolm Twite Chief Commercial Director resigned from the Board on 14 July 2021 and was reappointed to the Board on 14 September 2021 as Executive Director Property Performance.

Corporate Governance Arrangements *(continued)*

The membership of Non-Executive Directors is:

- Catherine Mason (Chair)
- Bernadette Conroy
- Charanjit Patel
- Robert Alexander
- Claire Hewitt
- Dr Geraldine Strathdee

As part of their role, Non-Executive Directors are appointed to serve as Chairs of the Board's committees. To ensure that our Shareholder participates in all key decisions made by the Company, there is DHSC representation on CHP's Board as well as on each of CHP's committees.

The Board meets bi-monthly with an additional Strategy Meeting each year and adheres to a Terms of Reference. All Board members are supplied in advance with appropriate clear and accurate information covering matters which are to be considered.

During the 12 months to 31 March 2021 the Board met ten times with only one apology received from one member for an exceptional meeting.

The Board is supported by four committees as detailed below.

Committees

The Board delegates aspects of its work to Committees to which it appoints sub-groups of Directors to work more closely with Management to direct, monitor and scrutinize the business of the Company. The Committees are guided by Terms of Reference which are reviewed annually. The Board receives exception reports and minutes of Committee meetings are made available and further updates as necessary from the appointed Chair of each Committee.

During 2020/21 the committee structure and responsibilities were revised within CHP. These changes did not add any additional committees but updated their focus to align more closely with business requirements. The key changes made are noted against each committee in the following paragraphs.

Audit Committee

Chair: Robert Alexander

The purpose of this Committee is to keep under review and provide assurances to the Board on CHP's financial policies, practices and statements, risk profile, and internal control environment. The relationship with external auditors is managed by this Committee and it commissions and oversees the work of internal audit.

Corporate Governance Arrangements *(continued)*

The Audit Committee's responsibilities were not significantly changed however the committee is to focus on the statutory accounts rather than management accounts going forward.

The Audit Committee's effectiveness is reviewed annually through self-assessment in line with the Corporate Governance Code.

The Audit Committee met five times during the 12 months to 31 March 2021.

People, Culture & Remuneration Committee (Previously the Remuneration Committee)

Chair: Geraldine Strathdee

This Committee is made up solely of non-executive directors to ensure independence and includes the Chair of the Board.

The purpose of the Committee has been expanded from its previous remit and now provides assurance over performance and remuneration, Staff matters and Culture. The Committee is to provide focus on:

- to review annually the CHP Terms and Conditions of Employment and propose to the Board any adjustments needed;
- to agree and review individual performance and remuneration of members of the executive team;
- to monitor and review the remuneration policy for all members of staff;
- oversee the annual review of the Employee Handbook;
- overseeing an annual Staff survey and monitor delivery of any associated action plan;
- managing reporting on gender pay gap, diversity inclusion and equality as well as overseeing any associated action plans; and
- provide oversight on CHP's people strategy and ensure an effective succession planning process is in place.

The People, Culture and Remuneration Committee met eight times during the 12 months to 31 March 2021.

Finance, Investment and Systems Committee (Previously Funding and Investment Assurance Committee)

Chair: Charanjit Patel

The purpose of the Committee is to provide assurance relating to key aspects of LIFT Projects, overseeing strategic financial planning, treasury management and compliance. The Committee is also responsible for:

Corporate Governance Arrangements *(continued)*

- providing assurance relating to key aspects of any LIFT Project that CHP engages with, namely: compliance with the terms of the Indemnity agreement;
- compliance with the terms of the standard LIFT framework/agreements; and investment proposals;
- scrutinising and, where appropriate in the context of its delegated powers, approving proposals for the Company to enter into Head Tenant arrangements on specific LIFT Projects;
- implementing the Company's investment strategy and for approving eligible investments acting under specific delegated authority from the Board as set out in this document;
- oversee strategic financial planning and monitoring and providing recommendations to the Board;
- oversight of budgetary planning and control; and
- performance monitoring of all systems-related KPI's and the Digital agenda.

The Committee met on five occasions during the 12 months to 31 March 2021.

Property and Tenant Management Committee (Previously Property and Asset Committee)

Chair: Bernadette Conroy

The purpose of the Committee is to provide the Board with strategic oversight of the Property Operations of the Company. The strategic oversight includes recommendations and reports to the Board on development and management strategies; this includes particular focus on:

- the scope, results and effectiveness of the Company's Head Tenant function;
- effectiveness of spend/value for money;
- oversight of CHP's asset management and utilisation targets
- compliance with policy and statutory requirements; and
- safeguarding of assets.

There have been no significant changes to the remit of this committee during 2020 and 2021.

The Committee met five times during the 12 months to 31 March 2021.

Independent auditor's report to the members of Community Health Partnerships Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Community Health Partnerships Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the United Kingdom.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditor's report to the members of Community Health Partnerships Limited *(continued)*

Conclusions relating to going concern *(continued)*

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- assumptions used in the forecasts;
- amount of headroom in the forecasts;
- sensitivity analysis; and
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Community Health Partnerships Limited *(continued)*
Responsibilities of directors *(continued)*

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included bribery and data protection legislation.

Independent auditor's report to the members of Community Health Partnerships Limited *(continued)*

Extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)*

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- we identified a significant risk in relation to the accuracy and disclosure of tenant and commissioner income and the implications for the completeness of the credit note provision: to address this risk we have performed a substantive analytical review on commissioner income and tested a sample of both commissioner and tenant income to supporting documentation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Community Health Partnerships Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006 (continued)

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

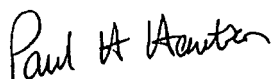
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Hewitson FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom
Date: 16 December 2021

**Statement of Comprehensive Income
for the year ended 31 March 2021**

	Note	2021 £000	2020 £000 (As restated [note 30])
Continuing operations			
Revenue	3	406,424	391,944
Cost of sales		(228,415)	(221,804)
Gross profit		<u>178,009</u>	<u>170,140</u>
Administrative expenses		(16,293)	(15,253)
Fair value (loss)/gain on Investment Property	11	(3,131)	950
Operating profit		<u>158,585</u>	<u>155,837</u>
Finance and similar income	8	18,679	20,331
Finance expenses	8	(181,676)	(179,288)
Net Finance Expense		<u>(162,997)</u>	<u>(158,957)</u>
Loss before Tax		<u>(4,412)</u>	<u>(3,120)</u>
Taxation	9	569	(807)
Loss from continuing operations		<u>(3,843)</u>	<u>(3,927)</u>
Loss for the year		<u>(3,843)</u>	<u>(3,927)</u>
Other comprehensive (loss) / income			
<i>Items that will not be recycled to profit or loss:</i>			
Revaluation of property, plant and equipment	10	12,423	99,035
Impairment loss taken to revaluation reserve	10	(49,637)	(9,263)
Deferred Tax provision	15	11,435	(29,779)
		<u>(25,779)</u>	<u>59,993</u>
Total comprehensive (loss) / income for the year		<u>(29,622)</u>	<u>56,066</u>

**Statement of Financial Position
as at 31 March 2021**

	Note	2021 £000	2020 £000 (As restated [note30])	2019 £000 (As restated [note 30])
Non-current assets				
Property, plant and equipment	10	2,368,405	2,420,181	2,333,500
Investment Property	11	124,885	127,819	126,659
Investments in associates	12	90,633	92,554	93,848
Investments in subsidiaries	13	-	-	-
Deferred tax assets	15	-	-	-
Trade and other receivables	16	16,928	16,969	15,300
		<u>2,600,851</u>	<u>2,657,523</u>	<u>2,569,307</u>
Current assets				
Trade and other receivables	16	99,498	122,308	118,147
Cash and cash equivalents	17	62,114	33,288	34,503
		<u>161,612</u>	<u>155,596</u>	<u>152,650</u>
Total assets		<u>2,762,463</u>	<u>2,813,119</u>	<u>2,721,957</u>
Current liabilities				
Trade and other payables	19	(109,372)	(100,141)	(92,226)
Provisions	21	(332)	(920)	-
Other financial liabilities	14	(42,805)	(39,523)	(34,990)
		<u>(152,509)</u>	<u>(140,584)</u>	<u>(127,216)</u>
Non-current liabilities				
Other interest-bearing loans and borrowings	18	(157,328)	(162,540)	(167,500)
Other payables	19	(32,116)	(31,203)	(29,977)
Provisions	21	(1,023)	(1,023)	(1,023)
Other financial liabilities	14	(1,612,590)	(1,632,179)	(1,639,821)
Deferred tax liabilities	15	(158,477)	(170,481)	(139,895)
		<u>(1,961,534)</u>	<u>(1,997,426)</u>	<u>(1,978,216)</u>
Total liabilities		<u>(2,114,043)</u>	<u>(2,138,010)</u>	<u>(2,105,432)</u>
Net assets		<u>648,420</u>	<u>675,109</u>	<u>616,525</u>

Statement of Financial Position (continued)
as at 31 March 2021

	Note	2021 £000	2020 £000 (As restated [note30])	2019 £000 (As restated [note 30])
Equity				
Share capital	24	71,148	68,215	65,697
Revaluation Reserve		651,912	700,664	657,040
Merger Reserve	24	(58,718)	(58,718)	(58,718)
Retained earnings		(15,922)	(35,052)	(47,494)
Total equity		648,420	675,109	616,525

These financial statements were approved by the board of directors on 16 December 2021 and were signed on its behalf by:



Mrs Wendy Farrington Chadd

Director

Company registered number: 04220587

Statement of Changes in Equity
for the year ended 31 March 2021

	Note	Share capital £000	Revaluation reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2020 (As restated [note 30])		68,215	700,664	(58,718)	(35,052)	675,109
Total comprehensive (loss) / income for the year						
Loss for the year		-	-	-	(3,843)	(3,843)
Net gain on revaluation of property, plant and equipment	10	-	12,423	-	-	12,423
Impairment loss taken to revaluation reserve	10	-	(49,637)	-	-	(49,637)
Deferred Tax Provision	15	-	11,435	-	-	11,435
Total other comprehensive loss		-	(25,779)	-	-	(25,779)
Transfer between Revaluation Reserve and Retained Earnings in relation to Depreciation of Revalued Assets		-	(22,973)	-	22,973	-
Total comprehensive (loss) / income for the period		-	(48,752)	-	19,130	(29,622)
Transactions with owners, recorded directly in equity						
Issue of shares	24	2,933	-	-	-	2,933
Total contributions by and distributions to owners		2,933	-	-	-	2,933
Balance at 31 March 2021		71,148	651,912	(58,718)	(15,922)	648,420

Statement of Changes in Equity (continued)
for the year ended 31 March 2020

	Note	Share capital £000	Revaluation reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019 (As previously reported)		65,697	657,040	(58,718)	102,357	766,376
Prior Period Adjustment	30	-	-	-	(149,851)	(149,851)
Balance at 1 April 2019 (As restated [note 30])		65,697	657,040	(58,718)	(47,494)	616,525
Total comprehensive income/ (loss) for the year						
Loss for the year (As restated [note 30])		-	-	-	(3,927)	(3,927)
Net gain on revaluation of property, plant and equipment	10	-	99,035	-	-	99,035
Impairment loss taken to revaluation reserve	10	-	(9,263)	-	-	(9,263)
Deferred Tax Provision	15	-	(29,779)	-	-	(29,779)
Total other comprehensive income		-	59,993	-	-	59,993
Transfer between Revaluation Reserve and Retained Earnings in relation to Depreciation of Revalued Assets		-	(16,369)	-	16,369	-
Total comprehensive income for the period (As restated [note 30])		-	43,624	-	12,442	56,066
Transactions with owners, recorded directly in equity						
Issue of shares	24	2,518	-	-	-	2,518
Total contributions by and distributions to owners		2,518	-	-	-	2,518
Balance at 31 March 2020 (As restated [note 30])		68,215	700,664	(58,718)	(35,052)	675,109

Cash Flow Statement
for year ended 31 March 2021

	Note	2021	2020 (As restated [note 30])
		£000	£000
Cash flows from operating activities			
Loss for the year		(3,843)	(3,927)
Adjustments for:			
Depreciation	10	41,666	37,640
Impairment		4,571	3,100
Finance and similar income	8	(18,679)	(20,331)
Finance expense	8	181,676	179,288
Receipt from finance lease debtor	26	309	344
Non-cash movement in finance lease liability	23	(3,609)	-
Profit on Disposal of PPE	5	-	(830)
Taxation	9	(569)	807
Fair value loss / (gain) on investment property		3,131	(950)
		204,653	195,141
Decrease / (Increase) in trade and other receivables	16	23,985	(4,779)
Increase in trade and other payables	19	8,283	4,775
Provisions utilised	21	(920)	-
Increase/(decrease) in provisions and employee benefits	21	332	920
		236,333	196,057
Net Interest paid		(2,784)	(2,729)
Tax (paid) / received		(2,071)	3
Net cash from operating activities		231,478	193,331
Cash flows from investing activities			
Interest received	8,16	11,109	11,357
Dividends received	8	7,847	9,353
Purchase of new subordinated debt investments	12	(489)	(930)
Repayment of subordinated debt investments	12	2,410	2,224
Purchase of Property, Plant and Equipment	10,11	(6,640)	(4,711)
Proceeds from Sale of Property, Plant and Equipment	5	-	830
Repayment of loans provided to associates	16	307	48
Issue of new loans to associates	16	-	-
Net cash from investing activities		14,544	18,171
Cash flows used in financing activities			
Proceeds from the issue of share capital	24	-	-
Repayment of loan	18	-	-
Capital element of payments in respect of finance leases and On-SOFP PFI and LIFT		(37,930)	(36,257)
Payment of finance costs	8	(179,266)	(176,460)
Net cash used in financing activities		(217,196)	(212,717)
Net increase / (decrease) in cash and cash equivalents		28,826	(1,215)
Cash and cash equivalents at 1 April		33,288	34,503
Cash and cash equivalents at 31 March	17	62,114	33,288

Notes to the financial statements

1 Accounting policies

Community Health Partnerships Limited (the "Company") is a private Company limited by shares, incorporated and domiciled in England and Wales.

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

As at 31 March 2021 the Company remained a wholly owned subsidiary of the Secretary of State for Health and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements. This includes the exemption from preparing consolidated financial statements in relation to the Company's shareholding in 49 LIFT companies. The Company regards all aspects of its business as one segment for the purposes of segmental reporting and presents its results to reflect this position.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for property, plant and equipment at revalued amounts and investment property at fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

All amounts are in Great British Pounds (GBP) and are rounded to the nearest thousand.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 16. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the annual report.

The company has considerable financial resources underpinned by a deed of indemnity that commits the Department for Health and Social Care to meeting the overall operating costs of the Company in relation to the assets transferred from Primary Care Trusts to the Company in 2013, ensuring that the company has sufficient cash resources to meet its obligations.

The company meets its day to day working capital requirements through a Shareholder loan and Flexible loan facilities of £215 million provided by its

Notes to the financial statements (continued)

1.2 Going concern (continued)

parent entity, the Department of Health and Social Care. The current economic conditions create uncertainty over both the receipt of and timing of settlement of invoices raised to tenants.

In February 2021 the company successfully extended its shareholder loan and flexible loan facilities with the Department of Health and Social Care and these facilities will now both expire on or after 1 April 2023. The company extends the facility each year and expects to extend these again in quarter 4 of 2021/22.

The Company's cash flow forecast reflects the expected timing of income from tenants and payment of costs in relation to the LIFT estate and the administration costs of the Company and the Company expects to be cash positive through the forecast period. A sensitivity analysis of the cash flow forecast has been conducted to 31 March 2022. Using this forecast, the directors conclude that any reduction in the forecast level of cash receipts, due to changes in the timing of tenant income, would not exceed the level of current facilities held and the Company would continue to be able to meet its liabilities on an ongoing basis as they fall due. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Impact of COVID-19

At the onset of COVID-19, CHP adjusted its operations to quickly respond to the additional needs of its tenants. Remote working was readily established across the organisation which has enabled business to continue as usual.

COVID-19 has not affected CHP financially. Cash receipts from tenants have continued in line with prior year trends. As CHP's customer base is made-up primarily of NHS System debtors, future cash receipts are unlikely to be affected by this. As a DHSC-owned entity, CHP is likely to remain unaffected by any adverse economic consequences of COVID-19. The directors are therefore confident that no going concern issues exist in relation to this.

1.3 Financial Instruments

Financial Assets

Financial assets are recognised when the Company 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 derecognised when the contractual rights have expired, or the asset has been transferred. Financial assets are initially recognised at fair value.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the financial statements (continued)

1.3 Financial instruments (continued)

Loans and Receivables

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.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured by using the expected lifetime credit loss method. This is calculated, in line with adopted IFRS 9, by analysing available data to estimate the probability of a credit loss against the financial asset. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position (SOFPI) when the Company 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. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value. Balances that have transferred from PCTs including finance leases are initially recognised at carrying value. All financial liabilities are classified as other financial liabilities.

Other financial liabilities

After initial recognition, all other 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.

Notes to the financial statements *(continued)*

1.4 Property, plant and equipment

All property, plant and equipment are 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 land and buildings are measured subsequently at fair value with all other assets held at transferred value (i.e. when properties were inherited from the PCTs in 2013) less depreciation.

Land and buildings used for the delivery of health services are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. A full valuation of the LIFT portfolio was performed by the District Valuer Service as at 31 March 2015. The District Valuer Service has continued to perform valuation of the LIFT portfolio each year up to and including 2020/21. With effect from and including the 2016 financial year a 3-year rolling valuation approach as at 31 March is taken. On an annual basis, this entails one third of the portfolio obtaining a full valuation with the remaining two thirds receiving a desk top valuation only. This will be rotated annually, ensuring that 100% of the portfolio has received a full valuation during the three year cycle. This ensures that revaluations 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. Due to the pressures of COVID-19 during the 2020/21 financial year the portfolio has been valued on a 100% desk top basis with the rolling valuation approach expected to restart in future financial periods.

Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost.

For buildings used for the delivery of health services, the Company has adopted a policy in line with HM Treasury with a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

For office buildings used for administrative purposes, the Company has adopted a policy of depreciated cost (with cost being the NPV of future lease payments for leased buildings) less subsequent accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Leases in which the Company assumes control of the leased asset are deemed as “right-of-use” assets and, as such, are classified as leases in accordance with IFRS 16. On adopting IFRS 16 in 2019/20, CHP opted for the transitional exemption, foregoing the requirements for full retrospective adoption. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Notes to the financial statements (continued)

1.4 Property, plant and equipment (continued)

Right-of-use assets acquired by way of lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below. Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Plant and Equipment 15 years
- Fixtures and Fittings 15 years

Right-of-use assets where CHP does not hold a residual interest in the asset, are depreciated over the shorter of the length of lease term or the useful economic life. The adoption of IFRS16 and conversion of assets held under operating leases to right-of-use assets increased the total property, plant and equipment by £15.9m on 01 April 2019. During the year this has increased depreciation charged to the Statement of Comprehensive Income by £1.2m.

At each reporting period end, the Company checks whether there is any indication that any of its tangible non-current assets have suffered an impairment loss. If there is an indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

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 and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be 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.

1.5 Investment Property

LIFT properties which are considered to not provide a significant level of ancillary services to clients are classified as investment property as such properties accrue rental income.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Notes to the financial statements *(continued)*

1.5 Investment Property *(continued)*

A full valuation of the LIFT portfolio was performed by the District Valuer Service as at 31 March 2015. The District Valuer Service has continued to perform valuations of the LIFT portfolio each year up to and including 2020/21. With effect from and including the 2016 financial year a 3-year rolling valuation approach as at 31 March is taken. On an annual basis, this entails one third of the portfolio obtaining a full valuation with the remaining two thirds receiving a desk top valuation only. This will be rotated annually, ensuring that 100% of the portfolio has received a full valuation during the three-year cycle. This ensures that revaluations 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.

The Company has adopted a policy in line with HM Treasury with a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

1.6 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 that are readily convertible to known amounts of cash with insignificant risk of change in value.

The cash and cash equivalents stated in these financial statements are all bank deposits. These balances are not subject to any pooling arrangements.

Notes to the financial statements (continued)

1.7 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Where considered material, the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Defined Contribution Plans

Some employees are members of the group personal pension scheme established on behalf of its employees. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

NHS Pension Scheme

Some employees who have been TUPE transferred over to the company are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable and rules of the scheme can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care, in England and Wales.

The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as 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 company commits itself to the retirement, regardless of the method of payment.

1.8 Contingencies

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 Company, 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

Notes to the financial statements *(continued)*

1.8 Contingencies *(continued)*

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 Company. A contingent asset is disclosed where an inflow of economic benefits is probable. Where the time value of money is material, contingencies are disclosed at their present value.

1.9 Leases

CHP's Land and buildings, used for the delivery of health services and leased by way of Lease Plus Agreements (LPA's) and Land Retained Agreements (LRA's) agreements, are treated as Service Concession agreements under IFRIC12.

Under an LPA agreement, CHP acquires the land as well as the building and has the option to purchase at the end of the lease term. LRA agreements differ in that they do not usually involve a transfer in ownership of the accompanying land and do not come with the option to purchase. It should be noted however, that a small number of exceptions exist, whereby CHP separately inherited the land for some buildings held under LRA agreements when the buildings were transferred from the Primary Care Trusts in 2013. Concession agreements are specifically excluded from IFRS 16.

All other leases are treated in accordance with IFRS 16 and are classified as finance leases, when the Company is deemed as having control of the asset, or as operating leases, where the asset is of low value or lease term is less than twelve months.

The adoptions of IFRS16 and conversion of leases held under operating leases increased the value of the lease liability by £15.9m on 01 April 2019. During this year a capital repayment of £1.4m was made and £0.2m was charged to the Statement of Comprehensive Income for lease interest. The incremental borrowing rate for the additional leases is 1.27%.

The Company as lessee

Property, plant and equipment held under leases and as service concessions, 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 so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Company's net operating profit or loss.

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

Notes to the financial statements (continued)

1.9 Leases (continued)

The Company as lessor

Amounts due from lessees under finance leases continue to be treated in accordance with IFRS 16. They are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

1.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company 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 the effect of the time value of money is significant, the estimated cash flows are discounted using the Treasury's published discount rates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received, and the amount of the receivable can be measured reliably.

1.11 Revenue

Revenue comprises the following income streams:

Lease income from sub-tenants is received as rental income from the Company acting as lessor for the buildings held in the LIFT scheme companies. Income is also received from Commissioners in relation to the building where the Company is acting as a lessor. The other categories of revenue comprise revenue from the Company's procurement support activities, directors' fees received from LIFT Companies, and income from other advisory services and grants.

All revenue arises from continuing activities and transferred in activities and is recognised in the period that revenue is earned. Rental income is recognised for the period in which it falls due under a rental agreement. Income from commissioners is recognised as the obligations of the finance lease falls due.

Notes to the financial statements (continued)

1.12 Financial Income

Financing income is comprised of interest receivable on funds invested and dividend income. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Expenses

Financing expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions that are recognised in the Statement of Comprehensive Income.

Other Expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements *(continued)*

1.15 Investment in Associates

Investments made in LIFT companies are accounted for as an investment in an associate. The investment is measured at cost with dividend income recognised in the Statement of Comprehensive Income.

Subordinated debt investments are carried at amortised cost.

1.16 NHS LIFT Transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes (including NHS LIFT) 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 of the requirements of IFRIC 12.

The Company therefore recognises the LIFT asset as an item of property, plant and equipment or as an investment property depending upon the level of ancillary services provided to the NHS together with a finance lease liability to pay for it. The services received under the contract are recorded as operating expenses.

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

- a) Payment for the fair value of services received;
- b) Payment for the LIFT asset, including finance costs; and
- c) 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) LIFT assets, liabilities, and finance cost

LIFT assets leased under an LRA or LPA agreement are recognised as property, plant and equipment or investment property, when they come into use. The assets are measured initially at the present value of the minimum lease payments in accordance with IFRIC12. Subsequently, the assets are measured at fair value and kept up to date through a programme of annual valuations.

A LIFT finance lease liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IFRIC12 due to the exclusion of service concession arrangements under IFRS16.

Notes to the financial statements (continued)

1.16 NHS LIFT Transactions (continued)

b) LIFT assets, liabilities, and finance cost (continued)

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 'Finance Costs' within the Statement of Comprehensive Income. 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 allocated to the finance lease. In accordance with IFRIC12, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

c) Lifecycle replacement

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. The total cost of lifecycle replacement is spread evenly across the lease term and expensed into the Statement of Comprehensive Income annually. Additional expense relating to the increase in the cost of the lifecycle replacement relating to inflationary increase is also expensed into the Statement of Comprehensive Income as paid to the operator.

Where cost expensed is greater than the lifecycle paid to the operator a liability is recognised on the Statement of Financial Position. Where lifecycle paid to the operator is greater than the cost expensed in the Statement of Comprehensive Income, a prepayment is recognised in the Statement of Financial Position.

Other assets contributed by the Company to the operator

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

1.17 Adopted IFRS not yet applied

The following Adopted IFRS has been issued but has not been applied in these financial statements:

IFRS 17 'Insurance Contracts' (mandatory for year commencing on or after 1 January 2023). Its adoption will not materially affect the Financial Statements as CHP does not issue insurance contracts.

Notes to the financial statements *(continued)*

1.17 Adopted IFRS not yet applied *(continued)*

Annual Improvements to IFRS Standards 2018–2020 (mandatory for year commencing on or after 1 January 2023). Its adoption will not materially affect the Financial Statements as CHP is not a first-time adopter of IFRS 1, does not apply the '10 per cent test' of IFRS9, does not record any lease incentives under IFRS16 and does not apply IAS 41 in the Financial Statements.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the estimate only affects that period, or in the period of the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgements

Depreciation

The accounting policy for depreciation, depreciates assets over 50 years which is in excess of the lease term of around 25 years. The assumptions used by the directors recognised that after 25 years using the LIFT model and the associated lifecycle funds generated the building will be in 'day one' condition and should the Company then opt to acquire the building it would continue to service the building in the same way and in doing so would deliver the lifecycle elements needed to maintain the building. Therefore, this leads to a judgement in the Financial Statements regarding the value attributed to depreciation which could be increased if the residual value after 50 years was deemed significantly less.

Property, Plant & Equipment

Included within Property, Plant and Equipment, as disclosed in note 10 to the statements are balances in respect of the NHS LIFT properties for which the Company is the head tenant. These assets are held for the purpose of renting to NHS bodies and other public healthcare providers to enable the delivery of public healthcare services.

The Directors acknowledge that, ordinarily, properties held for the purpose of rental with ancillary services would be classified as Property, Plant and Equipment under IAS16 Property, Plant and Equipment, however, under this accounting standard, judgement is required as to whether the extent of ancillary services provided to tenants are significant to the arrangement as a whole.

Notes to the financial statements (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

The accounting standard sets out, that where ancillary services are deemed significant to the arrangement as a whole, the buildings would be classified as Property, Plant and Equipment in accordance with IAS 16. Where the ancillary services are considered insignificant however, then the buildings would be classified as Investment Property in accordance with IAS 40.

The Directors have undertaken a thorough review of the ancillary services delivered to tenants across the estate, these services include, but are not limited to: provision of catering; supply and maintenance of equipment; supply of consumables including medical gases; provision of reception services; and security and access control. Following this review the Directors have concluded that these services represent an insignificant proportion of the service delivered to the tenant for 21 properties and, on this basis, concluded that treatment under IAS16 Property, Plant and Equipment did not fairly represent the nature of the arrangement. For such properties, IAS 40, Investment Property has consequently been adopted as the most appropriate application of IFRS in this instance and, as such, the Company has classified these assets as Investment Property within note 11 of these Financial Statements. However, for the other properties as detailed in Note 10, the ancillary services delivered to the tenant were considered significant and therefore on this basis, the Directors concluded that such properties should be accounted for in accordance with IAS 16 Property, Plant and Equipment.

Sources of Estimation Uncertainty

LIFT Building Valuations and impact of COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuers' valuation is *not* reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

This note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Notes to the financial statements (continued)**3 Revenue**

	2021	2020
	£000	£000
Lease Income from Sub-tenants	310,340	295,646
Income – Commissioners	95,396	95,392
Directors Fees reimbursed by LIFT companies	688	906
	<hr/>	<hr/>
	406,424	391,944
	<hr/>	<hr/>

4 Other Operating income

	2021	2020
	£000	£000
Other income	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

5 Expenses and auditor's remuneration

Included in profit are the following:

	2021	2020
	£000	£000
Depreciation expense	41,666	37,640
Profit on the disposal of Property, Plant & Equipment	-	(830)
	<hr/>	<hr/>
	41,666	36,810
	<hr/>	<hr/>

Auditor's remuneration:

	2021	2020
	£000	£000
Audit of these financial statements	98	79

Notes to the financial statements (continued)**6 Staff numbers and costs**

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2021 Number	2020 Number
Administration	195	227
Directors	9	10
	<u>204</u>	<u>237</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	9,601	9,929
Social security costs	995	920
Contributions to group personal pension	767	778
	<u>11,363</u>	<u>11,627</u>

The aggregate costs of employed through agencies and secondments were as follows:

	2021 £000	2020 £000
Contractors	263	351

Notes to the financial statements (continued)**7 Directors' remuneration**

	2021				2020			
	Salary £000	Bonus £000	Pension £000	Total £000	Salary £000	Bonus £000	Pension £000	Total £000
Key management personnel								
S O'Connell	190-195	10-15	-	200-205	185-190	25-30	-	210-215
M Day*	185-190	5-10	15	205-210	135-140	15-20	13	170-175
G Hunt**	110-115	5-10	11	125-130	115-120	15-20	12	145-150
M Twite	125-130	5-10	13	145-150	125-130	5-10	13	145-150
	615	37	39	691	574	70	38	682
Non-executive directors								
C Mason	45-50	-	-	45-50	20-25	-	-	20-25
B Conroy***	25-30	-	-	25-30	25-30	-	-	25-30
R Alexander	20-25	-	-	20-25	20-25	-	-	20-25
G Strathdee	15-20	-	-	15-20	15-20	-	-	15-20
C Patel	15-20	-	-	15-20	15-20	-	-	15-20
J Bacon****	-	-	-	-	10-15	-	-	10-15
N Beer*****	-	-	-	-	5-10	-	-	5-10
	122	-	-	122	122	-	-	122
Aggregate Remuneration	737	37	39	813	696	70	38	804

* M Day left on 20 November 2020

** G Hunt Resigned on 12 February 2021

*** B Conroy part of remuneration is received for services as a LIFTCo director.

**** J Bacon Resigned on 16 September 2019

***** N Beer Resigned on 31 July 2019

During the year 1 (2019: 2) Non-Executive Directors were paid directly by the Department for Health and Social Care.

The Executive Directors are considered the key management personnel of the Company and all compensation is disclosed. All pension payments made to key management personnel are made under a defined contribution scheme.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £204,563 (2020: £197,306), and Company pension contributions of £nil (2020: £nil) were made to a group personal pension scheme.

Notes to the financial statements (continued)**7 Directors' remuneration (continued)**

The figures for salary for S O'Connell include an amount of £17,487 (2020: £17,195) which represents an amount equivalent to that which would have been contributed by the Company on behalf of S O'Connell for participation in the Company pension scheme. S O'Connell elected to suspend membership of the pension scheme, and the Company has been accruing an amount equivalent to the pension contributions that would have been made had membership continued which will be paid to her as salary upon retirement from the Company.

8 Finance income and expense**Recognised in Statement of comprehensive income**

	2021	2020
	£000	£000
Finance and similar income		
LIFT: equity dividends receivable	7,847	9,353
Interest from subordinated debt investment	10,788	10,887
Bank Interest	44	91
Total finance income	18,679	20,331
	2021	2020
	£000	£000
Finance expense		
Interest		
Interest on obligations under LIFT contracts:		
- Main finance cost	118,677	120,298
- Contingent finance cost	60,404	55,960
Lease interest	185	202
Interest on unsecured loan facility	2,410	2,828
Total finance expense	181,676	179,288

Notes to the financial statements (continued)**9 Taxation****Recognised in the income statement**

	2021	2020
	£000	£000
Current tax expense / (credit)		
Current year	-	-
Adjustments for prior years	-	-
Current tax expense / (credit)	-	-
Origination and reversal of temporary differences	(595)	(15,652)
Prior year adjustment	26	-
Rate change on opening balance	-	16,459
Tax (credit) / expense in income statement	(569)	807
Total tax (credit) / expense	(569)	807

Reconciliation of effective tax rate

	2021	2020
	£000	£000
(Loss)/profit before taxation	(4,412)	(3,120)
Total tax expense	569	(807)
(Loss)/profit for the year	(3,843)	(3,927)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(838)	(593)
Effects of:		
UK dividends received	(1,491)	(1,777)
Disallowed items	191	161
Deferred tax change in rates	-	626
Deferred tax not recognised	(58)	7
Prior year adjustment	26	-
Deferred tax not recognised on losses	1,601	2,383
Total tax expense / (credit)	(569)	807

Finance Act 2020, which was substantively enacted in March 2020, included provisions to keep the rate of corporation tax at 19% for tax years 2020 and 2021. Accordingly, deferred tax balances have been stated at the rate of 19% (2020: 19%) in these Financial Statements. Finance Act 2021, which was substantively enacted on 24 May 2021, includes a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax liability by £50.045m.

Notes to the financial statements (continued)**10 Property, plant and equipment**

	LIFT Land and buildings £000	Other land and buildings £000	Other property, plant and equipment £000	Total £000
Cost or valuation				
Restated Balance at 1 April 2019	2,333,500	15,935	-	2,349,435
Additions	21,714	-	-	21,714
Revaluations	62,602	-	-	62,602
Impairment loss taken to profit/loss	(3,100)	-	-	(3,100)
Impairment loss taken to reserves	(9,263)	-	-	(9,263)
Disposals	-	-	-	-
Balance at 31 March 2020	<u>2,405,453</u>	<u>15,935</u>	<u>-</u>	<u>2,421,388</u>
Balance at 1 April 2020	2,405,453	15,935	-	2,421,388
Additions	28,693	-	2,982	31,675
Revaluations	(28,066)	-	30	(28,036)
Impairment loss taken to profit/loss	(4,571)	-	-	(4,571)
Impairment loss taken to reserves	(49,637)	-	-	(49,637)
Disposals	-	-	-	-
Balance at 31 March 2021	<u>2,351,872</u>	<u>15,935</u>	<u>3,012</u>	<u>2,370,819</u>
Depreciation and impairment				
Balance at 1 April 2019	-	-	-	-
Depreciation charge for the year	(36,433)	(1,207)	-	(37,640)
Elimination of accumulated depreciation on revaluation	36,433	-	-	36,433
Balance at 31 March 2020	<u>-</u>	<u>(1,207)</u>	<u>-</u>	<u>(1,207)</u>
Balance at 1 April 2020	-	(1,207)	-	(1,207)
Depreciation charge for the year	(40,459)	(1,207)	-	(41,666)
Elimination of accumulated depreciation on revaluation	40,459	-	-	40,459
Balance at 31 March 2021	<u>-</u>	<u>(2,414)</u>	<u>-</u>	<u>(2,414)</u>

Notes to the financial statements (continued)**10 Property, plant and equipment (continued)**

	LIFT land and buildings £000	Other land and buildings £000	Other property, plant and equipment £000	Total £000
Net book value				
At 31 March 2020	2,405,453	14,728	-	2,420,181
At 31 March 2021	2,351,872	13,521	3,012	2,368,405

	LIFT land and buildings £000	Other land and buildings £000	Other property, plant and equipment £000	Total £000
Asset Financing				
Owned	-	-	3,012	3,012
Right-of-Use Assets	-	13,521	-	13,521
On-SOFP LIFT contract	2,351,872	-	-	2,351,872
Total	2,351,872	13,521	3,012	2,368,405

LIFT land and buildings relates to buildings held under a LIFT service concession arrangement. Other land and buildings relate to buildings held under a right-of-use asset such as LIFT buildings not held under an LPA or LRA lease or office premises.

The Land and Building assets held under LIFT service concession arrangements were independently revalued by the District Valuer Service on 31 March 2021, as described in note 1.4, and the historic cost of the assets as at 31 March 2021 is £1,550m (2020: £1,540m). All buildings are considered specialised buildings and are valued at depreciated replacement cost.

The impairment loss taken to reserves of £49.637m (2020: £9.263m) is as a result of a reduction in regional indices resulting in a reduction in the value of assets. Impairment losses of £0.637m (2020: £0.080m) are recognised in the Statement of Comprehensive Income in relation to changes in indexation during valuation. These impairment losses are a result of a clear consumption of economic benefit.

Notes to the financial statements (continued)**10.1 Property, plant and equipment**

Impairment losses of £3.934m (2020: £3.020m) are recognised in the Statement of Comprehensive Income in relation to new buildings upon reaching practical completion and the resulting difference between the finance lease value and the direct replacement cost of the asset. These impairment losses are treated as clear consumption of economic benefit.

The amount of borrowing costs capitalised during the period was £nil (2020: £nil).

11 Investment Property

	2021	2020
	£000	£000
Balance at 01 April	127,819	126,659
Additions	197	210
Changes in fair value	(3,131)	950
Total	124,885	127,819

Investment property comprises properties held for the purposes of rental incomes, being NHS LIFT properties where insignificant ancillary services are provided to tenants and therefore accounted for in accordance with IAS 40. The amount of direct operating expenses arising from these investment properties that did not generate rent is £nil (2020: £nil).

	2021	2020
	£000	£000
Operating expenses	-	-

Changes in fair value are recognised as gains or losses in the Statement of Comprehensive Income. All gains and losses are unrealised.

Amounts recognised in profit or loss

Rental income was recognised within the Statement of Comprehensive Income during the year of £17.58m (2020: £16.02m).

Measurement of fair values

i. Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Entity's investment property portfolio every twelve months.

Notes to the financial statements (continued)

11 Investment Property (continued)

The fair value measurement for the investment properties has been categorised as Level 3 based on the inputs to the valuation technique used, which is depreciated replacement cost.

12 Investments in associates NHS LIFT Investments

As at 31 March 2021, the Company had made equity investments in each of the LIFT companies listed below, including their project financing subsidiaries where applicable. The principal activities of all companies listed below is the operation of leased properties. All shareholdings are of ordinary class of shares.

- **Arden Estates Partnerships Ltd** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Assemble Community Partnership Limited** (Shareholding: 40%)
Registered Office: 126-128 Buckingham Palace Road, London, SW1W 9SA
- **Barking Dagenham Havering Community Ventures Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Barnsley Estates Partnership Limited, formerly Barnsley Community Solutions Ltd** (Shareholding: 30%)
Registered Office: 1 Aire Street, Office 4.10, Leeds, England, LS1 4PR
- **Infracare South East London Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Infracare North West London Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Birmingham and Solihull Local Improvement Finance Trust Limited** (Shareholding: 40%)
Registered Office: 5 The Triangle, Worcester, WR5 2QX
- **Bradford & Airedale Estates Partnership Limited** (Shareholding: 40%)
Registered Office: Office 4.10, 1 Aire Street, Leeds, England, LS1 4PR
- **BRAHM LIFT Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **Bristol Infracare LIFT Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Building Better Health – Lambeth Southwark Lewisham Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Bury, Tameside & Glossop Estates Partnership Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Camden & Islington Estates Partnership Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Community 1st Cornwall Limited** (Shareholding: 40%)
Registered Office: Blue Support House, St. Austell, PL25 5BS
- **Community 1st Oldham Limited** (Shareholding: 40%)
Registered Office: Building 1000 Kings Reach, Stockport, SK4 2HG
- **Community 1st Sheffield Limited** (Shareholding: 40%)
Registered Office: Building 1000 Kings Reach, Stockport, SK4 2HG

Notes to the financial statements *(continued)*

12 Investments in associates *(continued)*

- **Community Ventures Company (Leeds) Limited** (Shareholding: 36.7%)
Registered Office: 4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
- **Doncaster Estates Partnership Limited** (Shareholding: 35%)
Registered Office: Office 4.10, 1 Aire Street, Leeds, England, LS1 4PR
- **Dudley Infracare Lift Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Durham & Tees Community Ventures Limited** (Shareholding: 40%)
Registered Office: 4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
- **East Lancashire Building Partnership Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **Infracare East London Limited** (Shareholding: 38%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **eLIFT Cumbria Limited** (Shareholding: 40%)
Registered Office: Richard House, Preston, PR1 3HP
- **Foundation for Life Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **GRT Nottingham LIFT Company Limited** (Shareholding: 36%)
Registered Office: Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, England, NG8 6PY
- **Infracare Wolverhampton & Walsall Limited**, (Wolverhampton City and Walsall) Limited (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Hull Citycare Limited** (Shareholding: 40%)
Registered Office: C/O Sewell Group Plc, Geneva Way, Hull, HU7 0DG
- **Leicester Lift Company Limited** (Shareholding: 40%)
Registered Office: Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, England, NG8 6PY
- **Liverpool and Sefton Health Partnership Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **MAST LIFT Company Limited** (Shareholding: 30%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Medway Community Estates Limited** (Shareholding: 40%)
Registered Office: 55 Station Road, Beaconsfield, HP9 1QL
- **NNT LIFT Company Limited** (Shareholding: 27.4%)
Registered Office: Cannon Place, London, EC4N 6AF
- **Norlife Limited** (Shareholding: 40%)
Registered Office: 128 Buckingham Palace Road, London, SW1W 9SA
- **North London Estate Partnerships Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **North Nottinghamshire LIFT Company Limited** (Shareholding: 40%)
Registered Office: Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, England, NG8 6PY
- **Oxford Infracare LIFT Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Prima 200 Limited** (Shareholding: 40%)
Registered Office: 5 The Triangle, Worcester, WR5 2QX
- **Prydium Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG

Notes to the financial statements (continued)**12 Investments in associates (continued)**

- **Realise Health Limited** (Shareholding: 40%)
Registered Office: 3rd Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ
- **Renova Developments Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Resound (Health) Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **RWF Health and Community Developers Limited** (Shareholding: 40%)
Registered Office: 55 Station Road, Beaconsfield, HP9 1QL
- **Sandwell LIFT Company Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **Solent Estates Partnerships Limited, formerly Solent Community Solutions Ltd** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **South West Hampshire LIFT Limited** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG
- **South West London Health Partnerships Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Southern Derbyshire LIFT Company Limited** (Shareholding: 40%)
Registered Office: Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, England, NG8 6PY
- **West London Health Partnership Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **West Sussex Estates Partnerships Limited, formerly West Sussex Community Solutions Ltd** (Shareholding: 40%)
Registered Office: 9th Floor Cobalt Square, Birmingham, B16 8QG

Each of the LIFT companies is engaged in providing community-based healthcare facilities and related services.

	Subordinated debt £000	Share Capital £000	Total £000
Balance at 1 April 2019	92,447	1,401	93,848
Additions	929	1	930
Loan Repayments	(2,224)	-	(2,224)
Balance at 31 March 2020	91,152	1,402	92,554
Balance at 1 April 2020	91,152	1,402	92,554
Additions	489	-	489
Loan Repayments	(2,410)	-	(2,410)
Balance at 31 March 2021	89,231	1,402	90,633

Notes to the financial statements (continued)**13 Investments in subsidiary**

	2021	2020
	£	£
Investments in subsidiary – Partnerships for Health Limited	1	1

Investments above which represent a holding greater than 20% are as follows:

	Country of Incorpor- ation	Class of shares held	Ownership 2021	2020
Partnerships for Health Limited	United Kingdom	Ordinary	100%	100%

Partnerships for Health Limited (Company number: 06019358 Registered office: Suite12B Manchester One, 53 Portland Street, Manchester, M1 3LD) is a dormant Company incorporated in the United Kingdom and has never traded. Consolidated Financial Statements are not prepared in respect of the group formed by this entity in accordance with section 405 of the Companies Act 2006 as its inclusion is not material.

14 Other financial liabilities

	2021	2020
	£000	£000
Non-current		
LIFT Financial Lease liabilities	1,600,859	1,619,049
Right-of-Use Lease Liability	11,731	13,130
	1,612,590	1,632,179
Current		
LIFT Financial Lease liabilities	41,405	38,112
Right-of-Use Lease Liability	1,400	1,411
	42,805	39,523

Notes to the financial statements (continued)**15 Deferred tax assets and liabilities***Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	-	-	(152,918)	(164,353)	(152,918)	(164,353)
Investment property	-	-	(5,559)	(6,128)	(5,559)	(6,128)
Net tax assets / (liabilities)	-	-	(158,477)	(170,481)	(158,477)	(170,481)

Movement in deferred tax during the year

	1 April 2020	Recognised in income	Recognised in equity	31 March 2021
	£000	£000	£000	£000
Property, plant and equipment	(164,353)	-	11,435	(152,918)
Investment property	(6,128)	569	-	(5,559)
	(170,481)	569	11,435	(158,477)

The Corporation Tax rate used to calculate deferred tax is 19% (2020: 19%).

Movement in deferred tax during the prior year

	1 April 2019	Recognised in income	Recognised in equity	31 March 2020
	£000	£000	£000	£000
Property, plant and equipment	(134,574)	-	(29,779)	(164,353)
Investment Property	(5,321)	(807)	-	(6,128)
	(139,895)	(807)	(29,779)	(170,481)

Notes to the financial statements (continued)**16 Trade and other receivables**

	2021	2020
	£000	£000
		(As restated)
Current:		
Trade receivables	82,941	97,485
Sub Debt interest receivable	3,684	4,005
VAT Receivables	4,161	6,937
Tax Receivable	2,402	331
Prepayments and accrued income	4,839	10,450
Finance lease receivables	354	309
Other receivables	344	1,635
Loans receivable from other bodies	773	1,156
Current	<u>99,498</u>	<u>122,308</u>
Non-current		
Finance lease receivables	6,216	6,570
Other receivables	10,712	10,399
Non-current	<u>16,928</u>	<u>16,969</u>

17 Cash and cash equivalents/ bank overdrafts

	2021	2020
	£000	£000
Cash and cash equivalents per balance sheet	62,114	33,288
Cash and cash equivalents per cash flow statements	<u>62,114</u>	<u>33,288</u>

Notes to the financial statements (continued)**18 Other interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2021 £000	2020 £000
Non-current liabilities		
Loan from Parent	157,328	162,540
	<u>157,328</u>	<u>162,540</u>
Current liabilities		
Loan from Parent	-	-
	<u>-</u>	<u>-</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Financial Year of maturity	Face value 2021 £000	Carrying amount 2021 £000	Face value 2020 £000	Carrying amount 2020 £000
Shareholder Loan	£	3.50%	2023	55,000	55,000	55,000	55,000
Working Capital Loan	£	0.12%	2023	102,328	102,328	107,540	107,540
				<u>157,328</u>	<u>157,328</u>	<u>162,540</u>	<u>162,540</u>

Notes to the financial statements (continued)**19 Trade and other payables**

	2021	2020
	£000	£000
Current		
Trade payables	11,319	8,809
Other trade payables	12,706	10,420
Non-trade payables and accrued expenses	83,946	79,083
Interest payable on working capital loan	1,024	1,442
Social Security Costs	259	244
Deferred Income and payments on account	118	143
	109,372	100,141
Non-current		
Other payables	32,116	31,203
	32,116	31,203

20 Employee benefits
Pension plans

The Company contributes to the group personal pension scheme established on behalf of its employees and the NHS Pension Scheme. During the year ended 31 March 2021 the Company made contributions totalling £766,579 (2020: £777,700). As at 31 March 2021 the Company owed Aviva plc, the group personal pension scheme managers, £nil (2020: £68,725). As at 31 March 2021 the Company owed the NHS Pension Scheme, £nil (2020: £272,660). Payments to the NHS Pension Scheme are delayed until the completion of direction orders following the transfer of staff.

Notes to the financial statements (continued)**21 Provisions**

	Dilapidation	uLPA Project Costs	Other	SDLT	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2020	1,023	460	385	75	1,943
Provisions made during the year	-	300	-	32	332
Provisions used during the year	-	(460)	(385)	(43)	(888)
Unused Provisions released to I&E	-	-	-	(32)	(32)
Balance at 31 March 2021	1,023	300	-	32	1,355
Current	-	300	-	32	332
Non-current	1,023	-	-	-	1,023
	1,023	300	-	32	1,355

Dilapidation provisions were transferred from predecessor bodies and are not expected to be utilised until the end of the useful economic life of the properties. The average remaining useful economic life at 31 March 2021 is around 40 years.

ULPA Project Costs is a provision to cover the completion of regularising tenancies that have already been started and is expected to be realised in the next 6 months.

SDLT provision was created in year to recognise the cost of the incentive scheme put in place for new tenant underleases signed. The business is committed to pay the value of the SDLT paid by a tenant signing a new lease. The eligible leases in progress will result in payments within next 6 months.

Notes to the financial statements (continued)**22 LIFT – additional Information**

	31 March 2021 £000	31 March 2020 £000
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP LIFT		
Total charge to operating expenses in year – OFF SOFP LIFT	42	44
Service element of ON SOFP LIFT charged to operating expenses in year	55,181	53,871
Total	55,223	53,915
Payments committed to in respect of OFF SOFP LIFT and the service element of ON SOFP LIFT		
No later than one year	55,958	55,162
Later than one year, no later than five years	238,778	235,352
Later than five years	553,227	610,396
Total	847,963	900,910

The estimated annual payments in future years are expected to be materially different from those which the Company is committed to make during the next year. The likely financial effect of this is:

	31 March 2021 £000	31 March 2020 £000
Estimated Capital Value of Project – OFF SOFP LIFT	900	900
Imputed “finance lease” obligations for ON SOFP LIFT contracts due		
No later than one year	157,612	156,122
Later than one year, no later than five years	616,248	613,358
Later than five years	2,169,967	2,299,079
Subtotal	2,943,827	3,068,559
Less: Interest Element	(1,301,563)	(1,411,398)
Total	1,642,264	1,657,161

LIFT contracts are subject to repricing in line with the contract terms over a horizon of up to 25 years. The LIFT scheme arrangements give CHP the right to sub-let the LIFT properties. The LIFT contracts carry no further obligations in respect of provision of service or construction of assets; however they do convey the right to the reversionary interest in the LIFT properties at the end of the contract at which point a commercial decision will be taken in respect of each asset.

Notes to the financial statements (continued)**23 Notes to the cash flow statement****Changes in liabilities arising from financing activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	01 April 2019 £000	Financing cash flows £000	New finance leases £000	Other movements £000	31 March 2020 £000
Loan from parent	167,500	-	-	(4,960)	162,540
Finance lease liabilities	1,674,811	(36,257)	33,148	-	1,671,702
Total liabilities from financing activities	<u>1,842,311</u>	<u>(36,257)</u>	<u>33,148</u>	<u>(4,960)</u>	<u>1,834,242</u>

	01 April 2020 £000	Financing cash flows £000	New finance leases £000	Other movements £000	31 March 2021 £000
Loan from parent	162,540	-	-	(5,212)	157,328
Finance lease liabilities	1,671,702	(37,930)	25,232	(3,609)	1,655,395
Total liabilities from financing activities	<u>1,834,242</u>	<u>(37,930)</u>	<u>25,232</u>	<u>(8,821)</u>	<u>1,812,723</u>

Other movements are not cashflows. The loan from parent movement is an offset against share capital and other capital projects. The movement for the finance lease liabilities was a P&L movement only.

Notes to the financial statements (continued)**24 Capital and reserves****Share capital**

	Ordinary shares	
	2021	2020
	No.	No.
Authorised at 1 April	68,215,000	65,697,000
Authorised in year	2,933,276	2,518,000
Authorised at 31 March	<u>71,148,276</u>	<u>68,215,000</u>
On issue at 1 April	68,215,000	65,697,000
Issued in exchange of flexible loan facility reduction at par	2,933,276	2,518,000
On issue at 31 March – fully paid	<u>71,148,276</u>	<u>68,215,000</u>
	2021	2020
	£000	£000
<i>Allotted, called up and fully paid</i>		
71,148,276 ordinary shares of £1 each	71,148	68,215
	<u>71,148</u>	<u>68,215</u>
Shares classified in shareholders' funds	71,148	68,215
	<u>71,148</u>	<u>68,215</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Non-distributable reserves

As at 31 March 2021, the retained earnings balance consists of £23.699m (2020: £26.235m) of non-distributable reserves in respect to historic revaluation gains on investment properties.

Revaluation reserve

Where property, plant and equipment is revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Notes to the financial statements (continued)

24 Capital and reserves (continued)

Merger reserve

This reserve records the results of the common control transfer of shareholdings in LIFT companies and the related head leases of buildings owned and operated by these companies. The reserve reflects the value of LIFT assets, financial liabilities, loan debt receivable and the investment value in the associate LIFT Company upon transfer to the Company following the dissolution of the PCTs.

25 Financial instruments

(a) Fair values of financial instruments

Investments in debt and equity securities

The fair value of investments is determined by reference to their valuation of future returns at their present value as previously calculated by the Department for Health and Social Care at the balance sheet date. The fair value of investments after initial recognition is determined for disclosure purposes only. Fair value of investments in sub debt is categorised within level three of the financial hierarchy. On this basis, the fair value measurements have been derived indirectly from a discounted cash flow analysis for these investments.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Notes to the financial statements (continued)**25 Financial instruments (continued)****(a) Fair values of financial instruments (continued)**

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2021 £000	Fair value 2021 £000	Carrying amount 2020 £000	Fair value 2020 £000
IFRS 9 categories of financial instruments				
Financial Assets measured at Amortised Cost				
Investments in sub debt (notes 12,16)	94,317	110,018	96,559	115,393
Loans and receivables				
Cash and cash equivalents (note 17)	62,114	62,114	33,288	33,288
Other loans and receivables (note 16)	96,461	96,461	112,988	112,988
Total loans and receivables	158,575	158,575	146,276	146,276
Total financial assets	252,892	268,593	242,835	261,669

The fair value of the investments in sub debt is determined by calculating the present value of future cash receipts as per the initial investment models.

	Carrying amount 2021 £000	Fair value 2021 £000	Carrying amount 2020 £000	Fair value 2020 £000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (notes 18,19)	158,352	158,352	163,982	163,982
Other financial liabilities (note 14)	1,655,395	1,655,395	1,671,702	1,671,702
Trade and other payables (note 19)	140,087	140,087	129,515	129,515
Total financial liabilities measured at amortised cost	1,953,834	1,953,834	1,965,199	1,965,199
Total financial liabilities	1,953,834	1,953,834	1,965,199	1,965,199

Notes to the financial statements (continued)

25 Financial instruments (continued)

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

Trade Receivables

CHP is exposed to credit risk in relation to its trade receivables which, for the purpose of credit risk assessment, is split into the following 2 categories:

System Debt (NHS Debt)	67% of ledger value at 31 March 2021
Non-System Debt (non-NHS Debt)	33% of ledger value at 31 March 2021

Credit risk in relation to CHP's system debt, is deemed as being fully mitigated by the agreement held with the Secretary of State which indemnifies CHP against any financial loss suffered as a result of defaults on payment from system (NHS) debtors. The remaining debt relates to non-system debtors (non-NHS debtors) that are referred to CHP via the relevant Commissioners. CHP has assurance that adequate measures of due diligence are performed throughout the commissioners' procurement processes to assess the creditworthiness of these customers, mitigating the risk of financial loss from defaults.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts primarily undertaken by the Company's Credit Control team. Senior management and the Company's CFO are highly involved in negotiations with customers where debt issues have been escalated.

In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. No significant increases in credit risk since initial recognition have been identified and no macroeconomic changes are expected.

Historic analysis has shown that a high proportion of non-system debt continues to be collected up to four years following initial recognition, after which collection rates reduce significantly. Management has therefore considered it prudent to assume a life of 4 years from the date of invoice after which the debt is considered as being "defaulted". For this category of debt, historic debt collection trends over the life of debt has been calculated and applied to debt as at 31 March 2021 to produce the credit loss provision.

Notes to the financial statements (continued)**25 Financial instruments (continued)****(b) Credit risk (continued)**

The credit risk of the investment in sub debt has been assessed to be very minimal as the Company also has a trade creditor relationship with the counterparty.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross	Credit Loss	Gross	Credit Loss
	2021	2021	2020	2020
	£000	£000	£000	£000
Not past due	1,183	-	2,872	-
Past due 0-30 days	10,421	531	12,421	446
Past due 31-120 days	16,847	596	19,787	483
More than 120 days	85,095	29,478	103,516	37,159
	113,546	30,605	138,596	38,088

The movement in the credit loss provision, measured at an amount equal to lifetime expected credit losses in respect of trade receivables during the year was as follows:

	2021	2020
	£000	£000
Balance at 1 April	38,088	34,036
Released in year	(37,717)	(20,083)
Credit loss provision	34,088	27,937
Utilised during the year	(3,854)	(3,802)
Balance at 31 March	30,605	38,088

The provision for trade receivables is used to reflect the likelihood of non-payment by trade receivables unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The balance of trade receivables written off during the period and still subject to enforcement activity is £nil (2020: £nil).

Notes to the financial statements (continued)**25 Financial instruments (continued)****(c) Liquidity risk***Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Following the transfer of assets and liabilities to the Company on 1 April 2013 the Department for Health and Social Care requires the Company to operate this area of business on a cost neutral basis (i.e. no profit and no loss) and the financial position is underpinned by a deed of indemnity that commits NHS England to meeting the overall operating costs and the Department for Health and Social Care to ensuring that the Company has sufficient cash resources to meet its obligations.

Maturity of Financial Liabilities

Financial liabilities - 2021	Current £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
Other interest-bearing loans	1,024	157,328	-	-	158,352
Other financial liabilities	42,805	44,422	138,927	1,429,241	1,655,395
Trade & other payables	107,971	-	-	32,116	140,087
Balance at 31 March 2021	151,800	201,750	138,927	1,461,357	1,953,834
Financial liabilities - 2020	Current £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
Other interest-bearing loans	1,442	162,540	-	-	163,982
Other financial liabilities	39,523	41,591	131,118	1,459,470	1,671,702
Trade & other payables	98,312	-	-	31,203	129,515
Balance at 31 March 2020	139,277	204,131	131,118	1,490,673	1,965,199

(d) Market risk*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company's exposure to market risk is limited due to the agreement of interest rates within the lease plus agreements.

Notes to the financial statements (continued)**26 Finance and right-of-use leases**

Gross right-of-use lease payable:

	2021	2020
	£000	£000
Less than one year	1,567	1,595
Between one and five years	5,146	5,771
More than five years	7,541	8,483
Less future finance income	(1,123)	(1,308)
	13,131	14,541

During the year the Company held 6 (2020: 6) leases with LIFT companies for the provision of healthcare services and 3 (2020: 3) leases with landlords for office premises. These leases were previously held under operating leases under IAS17 but now are held as right-of-use leases under IFRS16.

Finance leases as a lessor

Gross investment in leases:

	2021	2020
	£000	£000
Less than one year	1,013	1,000
Between one and five years	3,663	3,702
More than five years	7,098	8,072
Less future finance income	(5,204)	(5,895)
	6,570	6,879

During the year £691,000 of finance income on the net investment lease was recognised in the Statement of Comprehensive Income in respect of finance leases (2020: £725,000).

The Company lets one property under a finance lease. The present value of minimum lease receipts under this lease are as follows:

	2021	2020
	£000	£000
Less than one year	354	309
Between one and five years	1,309	1,225
More than five years	4,907	5,345
	6,570	6,879

Notes to the financial statements (continued)**27 Operating leases***Leases as lessor*

The LIFT properties are let under operating leases. The undiscounted future minimum lease receipts under non-cancellable leases are as follows:

	2021	2020 (As restated [note 30])
	£000	£000
Less than one year	126,220	113,050
Between one and five years	295,677	293,862
More than five years	449,757	449,135
	871,654	856,047

During the year £310,340,000 (2020: £294,895,000) was recognised as rental income by the Company.

Included in the rental income is the recovery of contingent rent of £60,404,000 (2020: £55,960,000).

28 Commitments*Capital commitments*

At the year end the Company had capital commitments of £1,166,305 (2020: £nil).

29 Related parties

During the year none of the Company board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Community Health Partnerships Limited.

As at 31 March 2021, the Company owed the Department of Health and Social Care £157,328,432 (2020: £162,539,708) in respect of the Unsecured Loan Facility and £1,024,210 (2020: £1,442,220) in respect of accrued interest.

During the financial year, the Department of Health and Social Care provided accommodation and other services to the Company amounting to £257,292 (2020: £241,006). As at 31 March 2021, the Company owed £54,000 (2020: £56,304) in respect of these services.

As the ultimate parent of the Company, the Department of Health and Social Care is regarded as a related party. During the year Community Health Partnerships Limited has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS Property Services Limited, NHS England, Clinical Commissioning Groups, NHS Trusts and NHS Foundation Trusts.

Notes to the financial statements (continued)**29 Related parties (continued)**

The Company has also had a significant number of material transactions with LIFT companies where the Company is both a shareholder and investor. These transactions have taken place in the normal course of business.

Charanjit Patel is a director of the Company and of Bromley Healthcare CIC.
Bernadette Conroy is a director of North London Estates Partnership Limited.
Robert Alexander is a director of Imperial College Healthcare NHS Trust.
Catherine Mason is the Chair of Solent NHS Trust.
Geraldine Strathdee is a director of South London and Maudsley NHS Trust.

A summary of these related party transactions is detailed below:

	Income		Expenditure	
	2021	2020	2021	2020
	£000	£000	£000	£000
Department for Health and Social Care	-	-	2667	3,069
NHS Property Services Limited	55	47	29	-
NHS England	9,154	6,769	-	38
Clinical Commissioning Groups	95,628	87,093	3	-
NHS Trusts	49,255	49,000	99	256
NHS Foundation Trusts	120,415	114,561	1,254	1,752
LIFT Companies	19,323	21,146	264,403	259,322
	293,830	278,616	268,455	264,437

	Receivables outstanding		Payables outstanding	
	2021	2020	2021	2020
	£000	£000	£000	£000
Department for Health and Social Care	-	-	158,406	164,038
NHS Property Services Limited	82	71	214	-
NHS England	2,209	4,408	-	-
Clinical Commissioning Groups	15,780	19,505	1,343	819
NHS Trusts	10,930	12,412	-	114
NHS Foundation Trusts	24,080	31,132	215	698
LIFT Companies	3,684	4,005	1,642,264	1,657,161
	56,765	71,533	1,802,442	1,822,830

Notes to the financial statements (continued)

30 Prior period adjustments

a) Change in accounting policy

The comparative financial statements of the Company as at 31 March 2020 and 31 March 2019 have been restated as the company has elected to change its accounting policy regarding lifecycle replacement.

Note 1.16 c) in all published versions of the notes to the financial statements, described the policy surrounding how lifecycle replacement would be accounted for as: -

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Company's 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.

During the year the company updated the accounting policy in relation to the treatment of Lifecycle expenditure. This ensures the accounting policy better represents the contractual relationship with the operator and their contractual relationships with Facilities Management Providers. The accounting policy has been amended to:

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. The total cost of lifecycle replacement is spread evenly across the lease term and expensed into the Statement of Comprehensive Income annually. Additional expense relating to the increase in the cost of the lifecycle replacement relating to inflationary increase is also expensed into the Statement of Comprehensive Income as paid to the operator.

Where cost expensed is greater than the lifecycle paid to the operator a liability is recognised on the Statement of Financial Position. Where lifecycle paid to the operator is greater than the cost expensed in the Statement of Comprehensive Income, a prepayment is recognised in the Statement of Financial Position.

Notes to the financial statements (continued)**30 Prior period adjustments (continued)**

This resolves the issue of not being able to consistently and accurately identify the capital expenditure across the portfolio with the operator, whilst asset values remain true and fair through revaluations undertaken by the VOA as per the current policy within these accounts.

The comparatives have been corrected by restating each of the affected financial statement line items for the prior period as summarised in the tables below.

b) Reclassification of deferred income.

The comparative trade receivables and deferred income balances have previously been grossed up. As a result of the billing of sessional space usage by tenants and additional billing to the relevant CCG to cover non occupation of the same space. Only one of the tenant or CCG will ultimately pay for the space. A deferred income balance was recorded in error instead of crediting receivables to remove the duplicate billing. The reclassified values are 2020: £17,491k and 2019: £17,553k.

	As previously reported (2020) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2020) £000
Statement of Comprehensive Income				
Cost of sales	(193,048)	(28,756)	-	(221,804)
Profit before tax	25,636	(28,756)	-	(3,120)
Taxation	(2,721)	1,914	-	(807)
Profit/(loss) for the year	22,915	(26,842)	-	(3,927)
Other comprehensive income				
Total comprehensive income for the year	82,908	(26,842)	-	56,066

Notes to the financial statements (continued)**30 Prior period adjustments (continued)**

	As previously reported (2020) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2020) £000
Statement of Financial Position				
Trade and other receivables	12,403	4,566	-	16,969
Non-current assets	2,652,957	4,566	-	2,657,523
Trade and other receivables	281,984	(142,185)	(17,491)	122,308
Current assets	315,272	(142,185)	(17,491)	155,596
Total assets	2,968,229	(137,619)	(17,491)	2,813,119
Trade and other payables	(105,642)	(11,990)	17,491	(100,141)
Other payables	(4,119)	(27,084)	-	(31,203)
Total liabilities	(2,116,427)	(39,074)	17,491	(2,138,010)
Net assets	851,802	(176,693)	-	675,109
Retained earnings	141,641	(176,693)	-	(35,052)
Total equity	851,802	(176,693)	-	675,109

Notes to the financial statements (continued)
30 Prior period adjustments (continued)

	As previously reported (2019) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2019) £000
Statement of Financial Position				
Trade and other receivables	12,712	2,588	-	15,300
Non-current assets	<u>2,566,719</u>	<u>2,588</u>	<u>-</u>	<u>2,569,307</u>
Trade and other receivables	248,410	(112,710)	(17,553)	118,147
Current assets	<u>282,913</u>	<u>(112,710)</u>	<u>(17,553)</u>	<u>152,650</u>
Total assets	<u>2,849,632</u>	<u>(110,122)</u>	<u>(17,553)</u>	<u>2,721,957</u>
Trade and other payables	(95,908)	(13,871)	17,553	(92,226)
Other payables	(4,119)	(25,858)	-	(29,977)
Total liabilities	<u>(2,083,256)</u>	<u>(39,729)</u>	<u>17,553</u>	<u>(2,105,432)</u>
Net assets	<u>766,376</u>	<u>(149,851)</u>	<u>-</u>	<u>616,525</u>
Retained earnings	102,357	(149,851)	-	(47,494)
Total equity	<u>766,376</u>	<u>(149,851)</u>	<u>-</u>	<u>616,525</u>

Notes to the financial statements (continued)**30 Prior period adjustments (continued)**

	As previously reported (2020) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2020) £000
Statement of Changes in Equity				
Profit/(loss) for the year	22,915	(26,842)	-	(3,927)
Total Equity	<u>851,802</u>	<u>(176,693)</u>	<u>-</u>	<u>675,109</u>
	As previously reported (2019) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2019) £000
Statement of Changes in Equity				
Retained earnings	102,357	(149,851)	-	(47,494)
Total equity	<u>766,376</u>	<u>(149,851)</u>	<u>-</u>	<u>616,525</u>
	As previously reported (2020) £000	Adjust- ment a) £000	Adjust- ment b) £000	As restated (2020) £000
Cash Flow Statement				
Profit for the year	<u>22,915</u>	<u>(26,842)</u>	<u>-</u>	<u>(3,927)</u>
Taxation	2,721	(1,914)	-	807
Decrease/(Increase) in trade and other receivables	(34,127)	29,410	(62)	(4,779)
Increase in trade and other payables	5,367	(654)	62	4,775
Net decrease in cash and cash equivalents	<u>(1,215)</u>	<u>-</u>	<u>-</u>	<u>(1,215)</u>

Notes to the financial statements (continued)**30 Prior period adjustments (continued)**

c) Recalculation of leases as lessor.

A recalculation of the undiscounted future minimum lease receipts under non-cancellable leases has been performed to correctly reflect the break clauses in agreed leases. The recalculated value for 2020 is £856,047.

	As previously reported (2020) £000	Adjust- ment £000	As restated (2020) £000
Note 27 Operating leases			
Undiscounted future minimum lease receipts under non-cancellable leases	1,290,912	(434,865)	856,047

31 Ultimate parent Company and parent Company of larger group

At the year-end, the Secretary of State for Health owned 100% of the share capital. The Directors regard the Secretary of State for Health as the ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is that headed by the Department of Health and Social Care (registered office: 39 Victoria Street, London, SW1H 0EU). These financial statements are produced under IFRS to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. No other group financial statements include the results of the Company.

A copy of the Consolidated Financial Statements of the Department of Health and Social Care for the period can be found at the following website; www.gov.uk/government/publications.

32 Subsequent events

There are no known post balance sheet date events that have occurred that would have a material impact on the financial statements outlined in this Annual report and financial statements.