Agreement of balances

Quarter 3 (M9) 2019-20 update

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Author: Joanna Peters /Finance/Accounts and Operations

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Contact Details:
Joanna Peters
Agreement of Balances Team - Accounts and Operations
Department of Health and Social Care
Room 2NW, Quarry House
Leeds
LS27UE
Agreement of Balances Quarter 3 (M9) 2019-20 Update

Introduction

The Agreement of Balances (AoB) exercise is key in ensuring that the DHSC group accounts are not materially misstated. Additionally, it is also important in demonstrating good financial management across the organisations that make up the group, and should not be undertaken in isolation from the day to day accounts.

This document should be read in conjunction with the Agreement of Balances guidance which can be found on Gov.uk/dhsc.

Updates

1. Quarter 3 (M9) 2019/20

Group bodies are reminded that the agreement of receivables and payables and income and expenditure is mandatory at month 9. There is no requirement for group bodies to issue accrual statements or agree accrual balances for the month 9 exercise, although group bodies must ensure that their accrual balances (as shown on their ledger) are included within collection forms.

2. AoB Contact Lists

Contact lists have been refreshed for Quarter 3 (M9) and will be circulated by DHSC via the National Bodies. Where they haven't already, can organisations please make arrangements to ensure that, for future periods, generic email addresses are set up as these are less likely to require amendment.

The contact lists are password protected and the password will be provided to all organisations at the start of the exercise via the National Bodies. This should be shared with all staff who require access to the information.

If an email containing your statement is returned as undeliverable, please inform your National Body so that the issue can be resolved or escalated for future exercises.
3. Results of AoB Survey 2018-19

We have reviewed the results and responses from the 2018-19 survey. The response level from group organisations was good and we have been using the results to work with National Bodies to agree actions to improve future exercises. DHSC's response to the survey results is detailed in the appendix attached to this update.

4. AoB Guidance

Contents of accruals statements

The AoB guidance has been updated to include additional guidance on suggested detail to be included on accrual statements (section 3 para 3.10). This is in response to feedback from group bodies who completed the 2018-19 survey.

PSF

Providers who received a post-accounts reallocation of PSF at the end of 2018/19 which has been recognised in income in 2019/20, should exclude these amounts from income statements at Q3 and Q4. The amounts were agreed between the national bodies in 2018/19 and therefore sit outside of the agreements process. 2018/19 post accounts allocations will be recorded in a dedicated row on TAC62 in the PFR return and will be excluded from mismatch reports.

NHSE Local Office transition

NHSE are still in the process of transitioning activities from Local Offices to Regions. It is requested that providers note the old 'Q' organisation on the Regional Statement.
Appendix - Agreement of Balances (AoB) Survey Results 2018-19

Introduction

DHSC would like to thank everyone who participated in the 2018-19 AoB survey. We received a good response rate and your feedback will contribute to our objective of improving future AoB exercises.

We would like to take this opportunity to update you on what the survey told us and how we are responding to the results of the survey.

Survey Results

1. What the survey told us about - AoB Exercises

The majority of group bodies that responded to the survey do not want any significant changes to be applied to the current AoB exercises. The exception was a split opinion on whether the M6 exercise should cease or continue in its current form.

DHSC response

The current M6, M9 and M12 AoB exercise processes for the 2019-20 year-end will be retained. DHSC will continue to seek regular feedback from group bodies on the timings and level of agreements for the three quarters in future years.

2. What the survey told us about - AoB Guidance and Timetable

The AoB guidance is utilised extensively with positive feedback on the content. In general, group bodies felt that timetable deadlines were reasonable but that the timing of the calculation of accruals often caused issues meeting the deadlines for issuing statements. The suggestion of the formation of an AoB National Liaison Group was well received with a large majority of respondents volunteering to take part.

DHSC Response

The M9 and M12 timetables will be reviewed to ensure that the timeline for agreement of accruals is reasonable from 2020/21 (note that no changes will be made to the 2019-20 timetable).

An AoB National Liaison Group will be established following the 2019-20 year-end.
3. What the survey told us about - Shared Service Providers

The survey indicated that a high proportion of organisations use shared service providers to distribute statements, however when asked about the detail in the statements the majority of organisations indicated that accrual transactions were not included on these statements.

DHSC Response

We will look to gain further insight into how group bodies using shared service providers issue accrual statements to counterparties. We will seek to ensure that practices are in line with AoB guidance.

4. What the survey told us about - AoB Statements

Many organisations use system generated statements for the agreement process. Questions relating to accrued transactions returned a common theme that the information provided with these transactions is not adequate for agreeing balances. There were a high number of responses with suggestions as to what information should be provided.

DHSC Response

A section has been added to the M9 2019-20 AoB guidance with additional suggestions for information to be provided on accrual statements (see Section 3.10).

5. What the survey told us about - Agreeing Balances with Organisations

The main causes of mismatches were found to be: accruals; gross/net treatment; and differing accounting treatments. These mismatches do not seem to have a significant negative effect on the overall time taken to agree balances however, with most bodies agreeing within a 30-day period.

DHSC Response

DHSC is unable to mandate gross, net or accounting treatment in local accounts, however the guidance will be reviewed to ensure that examples on dealing with differing accounting treatment and gross/net issues effectively are clear and comprehensive.

We will look to address accrual mismatches by improving guidance on information to include on accrual statements, and through review of the M12 timetable in 2020-21.
6. What the survey told us about - Training and Events

Group bodies would welcome the opportunity to have access to training events and networking opportunities prior to annual AoB exercises. Feedback indicates past events have not provided the desired level of understanding.

DHSC Response

We will develop a series of web-based training videos to complement the AoB guidance and utilise feedback from the survey to target specific training needs. These videos will be developed in collaboration with the National Bodies. Once established we will look to tailor the subject of the videos to specific areas of interest.

7. What the survey told us about - Future Developments

This section gathered feedback on the appetite of group bodies on the use of a central web portal to be used in AoB exercises. The results showed that a majority of group bodies would be in favour of the development of a web-based portal.

DHSC Response

DHSC will review the options in this space, including consideration of both costs and benefits of mandatory use of a portal. The review will be carried out in collaboration with National Bodies.