

**NHS foundation trusts:
FTC completion
instructions
Month 12 2016/17**

Updated: March 2017

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1 Introduction

1.1 NHS Improvement and context for this document

NHS Improvement is the operational name for the organisation that from 1 April 2016 brings together Monitor, NHS Trust Development Authority, Patient Safety including the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

This document is in relation to the Foundation Trust Consolidation (FTC) file issued to NHS foundation trusts relating to month 12 of 2016/17. This document **does not apply to NHS trusts** who should continue to prepare Trust Financial Monitoring System (TFMS) forms for 2016/17.

1.2 Purpose of this document

These FTC Completion Instructions have been updated with a focus on what you need to know to complete the month 12 FTCs for 2016/17. The emphasis in this document is on:

- standing guidance on completing specific tables within the FTC;
- providing guidance on consolidating a charity, and recording a transfer by absorption; and
- explaining changes made since the last version of the FTC template.

Key changes to standing guidance in this document (sections 4-6) are highlighted in boxes. Section 2 is updated in every version of the document.

1.3 Purpose of the FTC template

NHS Improvement, in exercising the statutory functions conferred on Monitor, is required to prepare consolidated financial statements for the NHS foundation trust sector and a direction from the Department of Health requires us to lay these before Parliament. NHS Improvement collects the information necessary to complete these accounts via the Foundation Trust Consolidation (FTC) template.

Since 2011/12 under HM Treasury's 'Clear Line of Sight' initiative, the Department of Health has been required to consolidate all entities within its accounting boundary into the Department's resource accounts for the year. This includes NHS foundation trusts. NHS Improvement provides a consolidation of information contained in FTC templates to the Department of Health. The accounts of all NHS foundation trusts will also be consolidated into the Whole of Government Accounts (WGA) prepared by the HM Treasury. NHS Improvement collects the information required for WGA purposes as part of the FTC template.

The purpose of the FTC is to collect the information necessary for the FT Consolidated Accounts, Department of Health resource accounts and Whole of Government accounts, and is not itself a set of pro-forma accounts.

Paragraph 1.6 of the *FT Annual Reporting Manual (FT ARM) 2016/17* (see section 1.5 below) states:

The accounts should also contain the notes to the accounts. Disclosures entitled 'note' (rather than 'table') in the FTC forms should be included in the accounts, but entities have discretion over their precise format and these may be omitted if immaterial.

Disclosures titled 'Note' in the FTC should be replicated in the FT's accounts where applicable, although detail such as counterparty columns can be omitted. Disclosures titled 'Table' are collected for the purposes of the consolidated accounts or Departmental resource accounts only and are not required to be included in local accounts.

The FTC template is only supported by Excel 2010. This is in line NHS Improvement policy and is consistent with other templates (e.g. In Year Financial Returns).

1.3 Timetable and submission

IMPORTANT – BREAKING LINKS

All links to other workbooks must be broken before the FTC is submitted to NHS Improvement. The protection in the FTC means it is not possible to use the tools within Excel to break all the links. NHS foundation trusts should use the 'break links' button on the cover - this macro bypasses the protection in the FTC and will break all the links in the document.

As set out in our letter to NHS foundation trust finance directors on 15 November 2016 (available [here](#)¹), month 12 submissions are required to be made in line with the table below. The letter provides a fuller list of the month 12 process.

Date	Detail
Wednesday 26 th April 2017 (9am)	<p>NHS foundation trusts submit unaudited FTCs and accounts to NHS Improvement (Monitor)</p> <p>Draft FTCs and draft accounts should be uploaded to the NHS Improvement (Monitor) Portal.</p> <p>The FTC will include income/expenditure and receivables/payables WGA data.</p> <p>FTCs uploaded to the NHS Improvement (Monitor) Portal as 'Trust Return' and with activity name 'FTC Statement M12-Unaudited'. File name should be "[MARS ID] 1617 Draft FTC.xlsm".</p> <p>Accounts uploaded to the NHS Improvement (Monitor) Portal as 'Trust Return' with activity name 'FTC Statement M12-Unaudited'. Note: submissions that accompany FTCs should always use the relevant FTC activity name.</p> <p>In case of exceptional technical difficulties, emailed to FT.Accounts@improvement.nhs.uk</p> <p>There should be no validation errors in this submission.</p> <p>Please also ensure that the information in the FTC is consistent with the month 12 monthly monitoring return: key information is summarised in the 'Summary' tab in both forms and the month 12 monitoring form contains the tool to check the two are consistent. (At month 9 this tool was a standalone file.)</p>

¹ https://improvement.nhs.uk/documents/539/NHS_Improvement_FT_timetable_letter_2016-11-15.pdf

Date	Detail
Wednesday 10 th May 2017 (noon)	<p>NHS foundation trusts re-submit FTCs to provide updated agreement of balances information to NHS Improvement (Monitor)</p> <p>Updated draft FTCs for resubmission of agreement of balances information (payable/receivables and income/expenditure) should be uploaded to the NHS Improvement (Monitor) Portal.</p> <p>Accounts information does not need to updated in this submission. The accounts tabs will not be utilised by NHSI in this submission. Any changes to your accounts must be agreed with your auditors and should form part of the audited submission of the accounts and FTCs on 31st May.</p> <p>With the exception of validations 135, 160, 161 and 162 (which must be passed), validation errors can be ignored in this submission. These validations are highlighted in blue for your reference on the validation summary in the FTC form.</p> <p>FTCs uploaded to the NHS Improvement (Monitor) Portal as 'Trust Return' and with activity name 'FTC Statement M12-Resubmission'. File name should be "[MARS ID] 1617 Draft FTC – AoB resubmission.xlsm".</p>
Wednesday 31 st May 2017 (noon)	<p>NHS foundation trusts submit audited FTCs and accounts to NHS Improvement (Monitor). Refer to timetable letter for full details and required submissions on this date, including quality reports assurance work.</p> <p>FTCs uploaded to Monitor portal as 'Trust Return' and with activity name 'FTC Statement M12-Audited'. File name should be "[MARS ID] 1617 Audited FTC.xlsm".</p> <p>Accounts related documents uploaded to Monitor portal as 'Trust Return' with activity name 'FTC Statement M12-Audited'.</p> <p>There should be no validation errors in this submission.</p>

1.4 Audit issues

Not achieving a clean, unmodified audit opinion by the deadline is a serious issue and NHS foundation trusts must make every effort to avoid this situation arising. However, circumstances may arise where an NHS foundation trust is unable to avoid a qualified or modified audit report or may not receive audit sign off by the deadline.

To prevent the situation highlighted above from affecting the Consolidated Accounts, NHS foundation trusts must:

- Inform their Regional Finance Lead within NHSI of the likely qualification/modified audit opinion as soon as possible. Please copy ft.accounts@improvement.nhs.uk into any emails;
- Submit an FTC with the latest position via the NHSI (Monitor) Portal on 31 May 2017; and
- Once audit sign off is achieved, send all the required items to NHSI immediately.

NHS Improvement will discuss with the auditors of the consolidated accounts the treatment of the NHS foundation trust's entry into the consolidated accounts. NHSI's aim will be to ring fence the amount covered by audit qualifications to the extent that the amount affected is not material to the Consolidated Accounts. To achieve this we may need additional information from NHS foundation trusts which receive a qualified/modified audit opinion.

1.5 Supporting guidance

This guidance accompanies the following documents:

- The [NHS Foundation Trust Annual Reporting Manual 2016/17](#) provides directions for NHS foundation trusts' annual reports and accounts, including guidance on how the requirements for accounts link to the FTCs
- The [Department of Health Group Accounting Manual 2016/17](#) provides detailed requirements for NHS foundation trusts' accounts
- The [Supplementary Agreement of Balances Guidance](#) which is applicable to all bodies in the Department of Health group.

A further update to the agreement of balances guidance for month 12 will be issued separately by the Department of Health and posted to the web link above. Contacts lists have been distributed by email.

These documents and subsequent updates are posted to www.gov.uk/monitor/accountsprocess.

If you have any queries please contact ft.accounts@improvement.nhs.uk.

2 Changes for month 12 2016/17 since month 9 2016/17

2.1 Introduction

This section provides information on key changes in the month 12 FTC compared to month 9 and other important information.

Area of change	Reference point for detail
Pre-population of comparatives	Section 2.2 below
STF and control total basis	Section 2.3 below
Year End Extra	Section 2.4 below
AGS Info	Section 2.5 below
Reconciling to M12 monitoring return	Section 2.6 below
Optional accounts template	Section 2.7 below
Full list of changes at month 12 2016/17	See Annex A

A full list of changes made to the FTC since month 9 2016/17 is provided in Annex A.

Please remember that your 'MARS ID' is the one word identifier used by NHS Improvement for your Trust, as selected on the front of the FTC file. It is not your organisation's NHS/ODS code.

2.2 Pre-population of comparatives

Unless otherwise requested, your FTC templates has been pre-populated with your 2015/16 comparatives. These figures are taken from your audited 2015/16 submission and not 2016/17 month 9 returns. As such, any re-analysed comparatives or PPAs will need to be revisited.

Where NHS Improvement contacted your trust in the prior year in relation to an error identified in your FTC, the adjustments agreed with you have been reflected in your populated comparatives. **Any such changes are highlighted in the email sent to you from FT Accounts on 15 March to accompany the issuance of the FTC file. Please refer to this email before contacting NHS Improvement about any changes. Where changes have been made, part of this email is specific to your Trust.** In most cases these are the same changes we made at month 9 and communicated to you at that time.

The accuracy of comparative information remains the responsibility of the trust and the cells remain open for editing if you believe the populated data to be incorrect.

As part of changes to how PFI lifecycle prepayments are reflected in the cash flow statement (see annex A), any prior year number in the former cash flow row for PFI lifecycle prepayments has now been added to the prior year cash flow cell for purchase of PPE, for consistency with how current year formulas now work.

2.3 STF and control total basis tables

Financial performance on a control total basis (including and excluding STF) is now measured in a new table on the SoCI tab. This table is for information only and is not required to be presented in accounts. Populated accepted control totals are correct as at the time of issuing templates on 15 March 2017.

Income from the Sustainability and Transformation Fund should now be populated into the new Table 2A at the base of Tab 6. Op Inc (Source). This breaks STF funding down between core allocation and incentive schemes. Where an FT has accepted its control total, the amount of core STF recognised cannot be greater than its allocation of core STF.

2.4 Year End Extra

The tab '0. Year End Extra' originally seen in 2015/16 has been reinstated in the month 12 FTC form to collect additional information to facilitate consolidation adjustments at the DH group level. Previous tables collecting information on provisions, agency accruals and GRNI accruals have been removed. Limited new information is collected in relation to Health Education England deferred income.

Unlike 2015/16, all tables should to be completed for the draft FTC submission on 26th April.

2.5 AGS Info

NHS Improvement is required to prepare a consolidated annual governance statement for the sector. To facilitate this we have added a short tab which asks you to provide key information from your AGS. This tab only needs to be completed for the 31 May submission. We appreciate that this adds a little more to the collection but we trialled this tab with tester foundation trusts who fed back that they do not consider this burdensome.

2.6 Reconciling to M12 monitoring return

For 2017/18 we will be merging the monitoring and FTC templates into one in order to simplify financial information collection for foundation trusts. For 2016/17 we will continue with monitoring templates and FTC templates in their present form. As we prepare a basis for 2017/18, we will be placing greater emphasis this year on consistency of information between the monitoring and FTC returns at a detailed level.

The Financial Reporting Consistency Tool that was issued as an optional tool at month 9 has now been built into the month 12 In-Year monitoring return. FTs will be required to run the tool (comparing against their draft FTC), and amend or explain inconsistencies prior to submission of the In-Year monitoring return on 28th April 2017. The tool will work identically to that seen at month 9 once again picking up FTC figures from the 'Summary Rec to M12' tab which removes the impact of consolidating charitable funds.

Please note that the reported outturn is not expected to change between submission of draft FTCs and In-Year Monitoring Returns. Should material errors be identified in the submitted FTC form in this period driving an inconsistency, please contact ft.accounts@improvement.nhs.uk.

2.7 Optional accounts templates

As in previous years, NHS Improvement has issued an optional accounts template alongside the FTC template. This template does not form part of our accounts direction to foundation trusts and use of the template is entirely down to local discretion. The template has been developed in two forms: one to assist the preparers of consolidated financial statements and one to assist with trust only financial statements. The templates are linked to an FTC file and can be redirected easily to your locally completed FTC.

3 Changes for 2016/17 as previously seen at month 9

3.1 Summary of changes

The following is a summary of the key changes in the month 9 FTC compared to month 12 2015/16.

Area of change	Reference point for detail
Impairment reversals and gain/losses on disposal of assets	Section 3.2 below
New data requirements	Section 3.3 below
Comparatives to revisit	Section 3.4 below
Other key changes	Section 3.5 below

3.2 Changes to layout of SOCI

As part of the [FT Annual Reporting Manual \(FT ARM\) 2016/17 consultation](#) we explained our proposal to revise the presentation of the Statement of Comprehensive Income for NHS foundation trusts. The proposals were accepted by the majority of respondents and so these changes have been reflected in the month 9 FTC. These changes are:

- The FTCs have previously recognised gains and losses on disposal of assets in operating income and expenditure respectively. These are now presented below operating surplus/deficit in foundation trust accounts.
- The FTCs have previously recognised reversals of impairments in operating income. These are now netted off the impairment charge in operating expenditure in foundation trust accounts.

Further information on the rationale for these changes is provided as part of the FT ARM consultation document. Your prior year comparatives for these figures have been relocated accordingly.

3.3 New data requirements (added at month 9)

Changes to the FTC template since prior year largely relate to functional improvements only but the following additional data requirements have been added which trusts will want to note:

- Tab 6. Op Inc (source): A new row has been added for 'Sustainability and Transformation Fund' income.
- Tab 8. Staff: Agency/contract staff costs is now split between two lines.
 - The existing 'Temporary Staff – Agency / contract staff' should be used for agency, contractors, locums and any external bank only where the provider has filled the staffing requirement with agency staff.
 - The new row for 'Temporary Staff – External Bank' should be used for all external bank staff costs where the bank provider has filled the staffing requirement with staff on its own books. It should not include any agency engaged by the external bank provider.

- For the avoidance of doubt, internal bank staff should be included in 'salaries and wages'.
- Tab 11. Finance & other: A new row for "capital grants in kind" has been added to the analysis as part of the new note for gains/losses on asset disposals. This is to record the expense incurred when derecognising a non-current asset that has been gifted/granted to another body. We do not anticipate many FTs needing to use this line.
- Tab 16. Investments & Groups: Two additional columns have been added so that investments in associates and joint ventures can be split between those outside of the government accounting boundary, designated as DH group bodies, and designated as other WGA bodies.
- Tab 20. Receivables: The previous analysis of ageing of receivables has been replaced with an analysis of financial assets past due or impaired to improve compliance with IFRS 7. This therefore now incorporates other financial assets including investments and should exclude any receivables that are not financial assets. Comparatives will need to be revisited.
- Tab 35. Losses and Special Payments: A new note has been added for gifts paid. This is in line with Managing Public Money and DH GAM requirements.

3.4 Comparatives to revisit (changes made at month 9)

In some places there are changes to analysis or data requirements which mean that we need you to revisit your prior year comparative data. These are listed below.

In cases where the analysis has changed and the prior year information may need to be reconsidered (for example if a row has been split into two) the cell is highlighted in bright green. In cases where a row has been removed this year and a prior year figure needs to be moved, this will be highlighted as a red cell until the cell is blank.

- Tab 7. Op Exp, Note 3: 'Inventories consumed (excluding drugs)' must be reallocated elsewhere in the operating expenditure note due to revised guidance. We sent an email from FT.Accounts on 27 September to the 25 foundation trusts affected by this change. More details on recording inventories consumed are provided in section 4.
- Tab 8. Staff, Note 4.1: Temporary staff – External bank: any external bank costs previously recorded elsewhere in the staff costs note should be reallocated.
- Tab 11. Finance & other: Note 10: Gains and losses on disposal/ derecognition of assets have been moved to Note 10 on tab 11. New rows have been added for gains and losses on disposal/ derecognition of investment properties, and for capital grants in kind issued.
- Tab 16. Investments & Groups: Any investments in associates and joint ventures recorded in 2015/16 may need to be reallocated if the associates or joint ventures are within DH group bodies or other WGA bodies.
- Tab 20. Receivables, Note 20: Prepayments (non-PFI) and PFI lifecycle prepayments now require a revenue and capital split for both current and non-current receivables. Prior year has been mapped to revenue by default; please review the split.
- Tab 20. Receivables, Note 21: The analysis has been revised to meet the requirements of IFRS 7. Previously the analysis of financial assets past due was split

between 'trade receivables' and 'other receivables'. It is now split between 'trade & other receivables' and 'investments and other financial assets'. Prior year figures have all been remapped to 'trade and other receivables'. This analysis should exclude any non-financial assets included in receivables (such as prepayments). Please review and revise as required.

- Tab 25. Provisions and CL, Table 28A: Prior year provisions for 'pensions to former directors' and 'pensions to other staff' have been mapped to 'Pensions – early departure costs' as part of changes to this note. Please reallocate if necessary.
- Tab 25. Provisions and CL, Table 28A: Prior year provisions for 'Agenda for Change' and 'Equal pay' have been mapped to 'Equal pay (including Agenda for Change' as part of changes to this note. Please reallocate if necessary.
- Tab 27. RP, Note 31.1 & 31.2. The 'Other NHS bodies' values of transactions/balances with other related parties rows have been renamed to 'Other DH Group bodies'. Please revisit if required. Where the previous NHS SBS row has been removed, comparatives amounts recorded here have now been included in 'other'.
- Tab 29. PFI (on-SoFP), Note 34.3. A new row has been added for 'addition to lifecycle prepayment' as part of replacing the previous 'other' row in this note. Please reallocate amounts previously recorded in 'other' where applicable.

3.5 New data requirements (seen at month 9)

Other changes made in the month 9 FTC include:

- Tab 9, note 5.2 arrangements containing an operating lease – this note of future commitments analysed by due date previously incorrectly made additional reference to analysing commitments by the period in which the lease expired. We have now removed the reference to 'expiring' to remove this ambiguity. There is no change in the underlying data requirement for this note and we believe most trusts were already correctly analysing future commitments by payment due date.
- Tab 38: PPA: A new table has been added to further analyse out any capital prior period adjustments.
- Audit sheet: An optional column has been added for FTs to add comments.

4 Information on specific tables

This section provides information on the completion of specific notes in the FTC template.

Changes compared to month 9 2016/17 are marked in boxes; otherwise this section is unchanged.

4.1 Operating expenditure

Recording drugs spend and inventory consumption

In completing *Note 3 Operating Expenses (tab 7)*, please note that:

- 'Drugs inventories consumed' is populated from the 'Drugs' category of *Note 19.1 Inventory Movements*.
- 'Drug costs (non-inventory drugs only)' is free entry and should be used to record drugs which are not passed through inventory (such as FP10s).
- [Change seen at month 9 2016/17] The FTC previously allowed foundation trusts to record the charge associated with the consumption of inventory (the other side of the accounting entry to the stock reduction) in expenditure in two ways: (i) entering all amounts in the 'inventories consumed' row, or (ii) utilising the detailed lines in operating expenses (such as supplies and services), or a combination of the two. This document previously encouraged trusts to take the first approach, but only 25 trusts did so. In order to improve consistency of data across the sector, we have now locked the 'inventories consumed' row in operating expenditure and instead this charge should be included in other appropriate detailed lines in the expenditure note. Any prior year comparative in this row will need to be reallocated.

In order to identify these inventory movements for the purposes of our reporting to DH, additional information is required as part of tab 19. This is explained under section 4.5 below.

Counterparty analysis of inventories consumed

Where inventories consumed are purchased from other NHS bodies, the Department of Health considers the expense recognised to be an accounting adjustment as opposed to the initial expenditure incurred on purchasing the inventories. As such where inventories purchased from non-FTs are consumed in year, the expense should be recorded as external to government, and the notified expenditure in the AoB sheets adjusted back out through the adjustments column. The Department of Health recognises that this will result in mismatches in the AoB exercise.

For inventories purchased from other FTs however, the value of the mismatch is potentially significant for the consolidated NHS Foundation Trust accounts. As such, FTs are permitted to record the consumption of inventories purchased from FTs against the relevant counterparty and this will allow NHS Improvement to make the relevant eliminations from the inventories movement note.

Consultancy costs (within Note 3. Operating expenses)

Costs included within Consultancy costs Note 3. Operating Expenses, should meet the definition provided in the DH GAM. Counterparties for this line have therefore been restricted as it is not deemed that bodies within the Departmental Group would be providing such services outside of business-as-usual.

4.2 Employee expenses

Interaction between Note 4. Employee Expenses and Note 3. Operating Expenses

Note 4 (tab 8) includes an analysis of net employee expenses between relevant operating expenditure lines. These then populate Note 3 (tab 7). Where lines may include an element of employee and non-employee expenditure these lines have been split in two.

This mechanism enables NHS Improvement to meet the WGA and Departmental reporting requirements for the FT sector.

Staff costs – counterparties and net accounting

The Department of Health requires separate counterparty analyses to be provided for permanent employees and other staff costs. Counterparty analysis for expenditure relating to permanent employees is restricted to Other WGA bodies (for employer NI and pension contributions) and external to government (gross salary and other payments) only. Expenditure relating to 'other' is unrestricted.

A counterparty analysis is not expected for this income. Both parties to the recharge arrangement should account for the income/expenditure as 'external to government' (as with an agency arrangement). More guidance on this is provided in the *Agreement of Balances Guidance*.

Staff costs – permanently employed / other staff

Please note the following definitions when completing this table on tab 8:

- *Permanently employed*: this relates to staff who are permanently employed by the FT and includes staff who are on outward secondment or loan to other organisations.
- *Others*: this relates to others engaged on the objectives of the FT and will include staff on inward secondment or loan from other organisations, agency/temporary staff and contract staff.
- [Change seen at month 9 2016/17] *Temporary staff – external bank*: This row relates to non-payroll external bank staff costs, and should be used where the FT uses an external bank provider and the provider fulfils the requirement with staff on its own books. This line has a restricted counterparty analysis. The 'Other WGA' counterparty column is unlocked to permit external bank spend with NHS Professionals to be recorded in the external bank line. Note that internal bank should be recorded in the salaries and wages row.

- *Temporary staff - agency / contract*: This relates to non-payroll staff only such as agency workers, interim managers and specialist contractors. It should not include bank staff or staff borrowed or seconded from other NHS bodies. These should be recorded in temporary staff – external bank or salaries and wages as appropriate. As such, this line has a restricted counterparty analysis. The ‘Other WGA’ counterparty column is unlocked to permit agency spend with NHS Professionals to be recorded in the agency line.
- *Contract staff* – this means contractors engaged by the FT on a contract to undertake a project, task or interim role. It does not include amounts payable to contractors in respect of the provision of services (e.g. cleaning or security) which should not be recorded within staff costs.
- For the avoidance of doubt, internal bank staff should not be recorded in either temporary staff row and should be included in ‘salaries and wages’.

4.3 Impairments

Impairments are entered into the FTC on sheet ‘12. Impairments’. They must be analysed by the nature of the impairment to permit the correct budgeting treatment in the group accounts.

Additional functionality is included in rows 51 & 52 and 64 & 65 of tab 12. *Impairments* to allow FTs to specify whether they wish to present their impairments through cost or accumulated depreciation. This is in response to the number of historic FTC to accounts inconsistencies arising from different presentation of impairments in PPE notes. Where FTs do not wish to differ from the presentation previously used in the FTCs, the default on this additional functionality remains in line with years prior to 2013/14.

Table 10A Impairments workings (excludes consolidated charitable funds - for impairments to charitable fund assets, enter these on tab 41X)
For Alignment purposes only

This table facilitates the population of impairment figures throughout the FTC. This table should not be replicated within F

Impairments for period ending 31 December 2013	12C	12D	12E	12F	12H	12I	12J	12L
	PPE				Intangibles			
	Total	Operating income	Operating expenses	Revaluation Reserve	Operating income	Operating expenses	Revaluation Reserve	Operating income
Impairments	£000	£000	£000	£000	£000	£000	£000	£000
Loss or damage from normal operations	0							
Loss as a result of catastrophe	0							
Abandonment of assets in course of construction	0							
Unforeseen obsolescence	0							
Over specification of assets	0							
Other [complete free text below]	0							
Changes in market price	0							
TOTAL GROSS IMPAIRMENT	0		0	0		0	0	
The following rows allow you to specify whether you wish to recognise your impairment within the cost or depreciation section of your PPE or intangibles note to aid consistence (impairments through cost and not impairments through depreciation)								
To be disclosed within:								
Cost or Valuation	0			0			0	
Depreciation / Amortisation	0		0			0		

4.4 Asset valuations

To facilitate the production of the accounting policies note in the FT Consolidated Accounts, NHS Improvement needs to collect additional information about how foundation trusts determine the valuation of their assets. This information is collected in the *Asset Valuations table* in worksheet 15. *NCA Misc*. For non-property assets, the method for determining fair value (e.g. historic cost as proxy for fair value) should be entered in the relevant cells, with the net book value of assets valued using this method in columns C to D.

In the property valuations table, please enter the current NBV of those assets. For example, if buildings were revalued using Modern Equivalent Asset, without using the option for Alternative Site, and their current Net Book Value is £10m, enter £10,000k in the cell for Buildings excluding dwellings, Modern Equivalent Assets (no Alternative Site).

4.5 Analysis of inventory and provisions charges to expenditure

In reporting to the Department of Health, the Department requires that inventory charges and provisions charges be recorded on specific lines within operating expenditure, rather than allocated to detailed lines within that note as NHS foundation trusts are currently able to. NHS foundation trusts have fed back to NHS Improvement (Monitor) that they would not want this change to be imposed on them.

Additional tables have been included on sheets 19 and 25 for NHS foundation trusts to analyse where 'inventories consumed' and 'provisions arising in year' have been charged within operating expenses. This analysis will enable NHS Improvement to meet the Department's requirement within the consolidated accounts without imposing a mandated format on foundation trusts.

Table 19A Breakdown of inventories recognised in expenses	19P	Maincode	Expected Sign
	2016/17		
	£000	Subcode	
Total inventories consumed (per note 19.1)	0	390	
Charged to:			
Drugs inventories consumed	<i>i</i> 0	400	+
Inventories consumed (excluding drugs)	<i>i</i>	410	+
Supplies and services - clinical	<i>i</i> 0	420	+
Supplies and services - non clinical		430	+
Transport (other)		435	+
Other		440	+
TOTAL	0	450	+

4.6 Budgeting impact of service concessions (Tables 34D and 34E, sheet 29)

This table is a comparison between revenue costs on an IFRS basis and on a UKGAAP/ESA10 basis. This should be completed by all FTs who are disclosing a service commission (e.g. PFI) commitment at the balance sheet date. If the Trust's PFI scheme was accounted for on balance sheet under UK GAAP prior to the transition to IFRS, this note should be completed with equal costs under each basis.

The first part of the table collects the impact on the IFRS accounts of having the PFI scheme on balance sheet: i.e. charges for services, depreciation charges and so on. There is then a line for the UK GAAP / ESA 10 version of this. A further line then calculates the difference between the two.

From month 12 2016/17, the line for revenue costs under UK GAAP / ESA 10 now feeds from table 34E. There is no change to how this line is calculated, but table 34E is intended to show more clearly how the figure should be arrived at.

The 'effect on PDC dividend' in the UK GAAP analysis will be the increase to the PDC dividend as a result of the residual interest being on the balance sheet. This is different to the impact on the current IFRS accounts' PDC dividend captured in the IFRS revenue part of table 34D.

Capital expenditure on a UKGAAP basis is expected to relate to the build up of a residual interest over the life of the scheme: additions to build up the residual interest were recognised under UK GAAP with an off-balance sheet PFI scheme. This is the capitalisation of part of the unitary payment under UK GAAP.

Capital expenditure under IFRS will be any current-year capital additions recognised in the IFRS accounts, for example capital lifecycle spend.

5 How to record a transfer by absorption in the FTC file

This section has been drafted on the basis of an incoming absorption transfer, but the principles apply equally to an outgoing transfer.

Step 1: Determine the transferring balance sheet numbers

The first step is for the FT to have working papers for the balances of the SoFP at the point of transfer. Please be reminded that as set out in the DH GAM, the recipient of an absorption transfer should recognise assets and liabilities at their book value on transfer. If the FT needs to make any adjustments to the values or classifications either on the basis of available supporting information or accounting policy alignment, these adjustments should be made by the FT **after** recognising the transfer. The DH GAM sets out that these subsequent adjustments relating to harmonising accounting policies are made directly in taxpayers' equity (reserves). All numbers in the FTC recognised as 'transfer by absorption' (and covered by the steps below) must be the unadjusted numbers sent by the divesting body. This also allows eliminations across the DH group.

Step 2: Complete the tab 36 summary note 40.1 for details of the transfer(s)

Note 40.1 on tab 36 should then be completed with summary details of the transfer(s). The gain/loss computed here then feeds into the Statement of Comprehensive Income, so it is important that this table is completed accurately.

Step 3: Complete the tab 36 analysis tables for details of the transfer(s)

In order to complete eliminations across the DH group, NHS Improvement and the Department of Health need to know which body is sending/receiving balances to/from which body.

The subsequent tables on tab 36 (tables 40A1 to 40A12) are used to record the assets and liabilities that are transferring. In these tables the five rows correspond to the five sections of the summary table in note 40.1: therefore please use the relevant row for the transfer.

These entries then feed into the summary of assets and liabilities in table 40A13. Total assets in cell S266 and total liabilities in cell AC266 should agree to the totals for the transfer(s) completed in note 40.1 on this tab, as covered in step 2 above.

Step 4: Record transfers between reserves

Any revaluation reserve balances associated with transferred assets should be reinstated in the receiving body's revaluation reserve following transfer. This should be recorded on tab 36 table 40A14. This will flow through to the revaluation reserve note and into the analysis of reserves table where the corresponding entry will automatically be made in the I&E reserve.

PDC transferring from the predecessor body in accordance with the DH GAM should also be recognised as a transfer from the I&E reserve to the PDC reserve. This is recorded by entering the transferring amount in table 40A15 and the corresponding I&E reserve entry will automatically be recorded. These entries then feed through to the SOCIE.

Step 5: Double check that inter-company balances have been eliminated

If the transfer relates to the FT taking over another provider and the two finance functions have not yet been merged, additional care should be taken to ensure that any internal balances between the predecessor organisations after the point of transfer have been eliminated prior to completion of the FTC. For example, if as an interim measure the FTC has been completed by adding together FTCs from the two former bodies, please ensure that any items such as loans between the bodies have been eliminated in the entity's closing balance sheet.

Income and expenditure transactions between the two entities before the point of transfer should not be eliminated.

Step 6: Check impact on cash flow statement

The automation within the cash flow statement of the FTC file calculates gross balance sheet movements for receivables and payables. As such, any movements in receivables / payables that have resulted from the transfer by absorption must be removed from these calculations as they do not represent cash flows. These amounts should be adjusted from the movements in receivables / payables using cells D97 and D110. They should not be adjusted through cell D35.

The amounts adjusted out should relate to operating balances only (i.e. exclude items that do not relate operating cash flows such as capital payables, interest receivable etc) as these are already removed from the calculated movement.

6 Overview of approach to charitable funds

Application of IFRS 10 to NHS charitable funds

As set out in the DH GAM, when NHS foundation trusts prepare their accounts, consideration should be made of the application of IFRS 10 to any linked charitable funds. If the charity meets the definition of a subsidiary under IFRS 10 the charity will be consolidated into the FT group accounts. This is explained more fully in the DH GAM.

The FTC file should be consistent with the FT's group accounts. If an NHS foundation trust does not consolidate its charity in its accounts, then it will not consolidate the charity in the FTCs.

Department of Health consolidation under ONS definitions

Since 2012/13, a change in the definition of the consolidation boundary by ONS has meant that the Department of Health is required to consolidate all NHS charitable funds into the departmental accounts. This is regardless of any local control or otherwise under IFRS 10.

Therefore even where you do not consolidate your charity under IFRS 10, the Department of Health and NHS Improvement request that you provide summarised information to assist the Department in performing their consolidation under the ONS definition.

NHS charities with independent trustees

There are a small number of NHS charities whom are independent of their linked trust (with independent trustees) and where the Department of Health corresponds directly with the charity to obtain the information they need. In these cases you do not need to complete either of the FTC charity tabs as DH has alternative measures in place to collect the data.

These independent charities are currently:

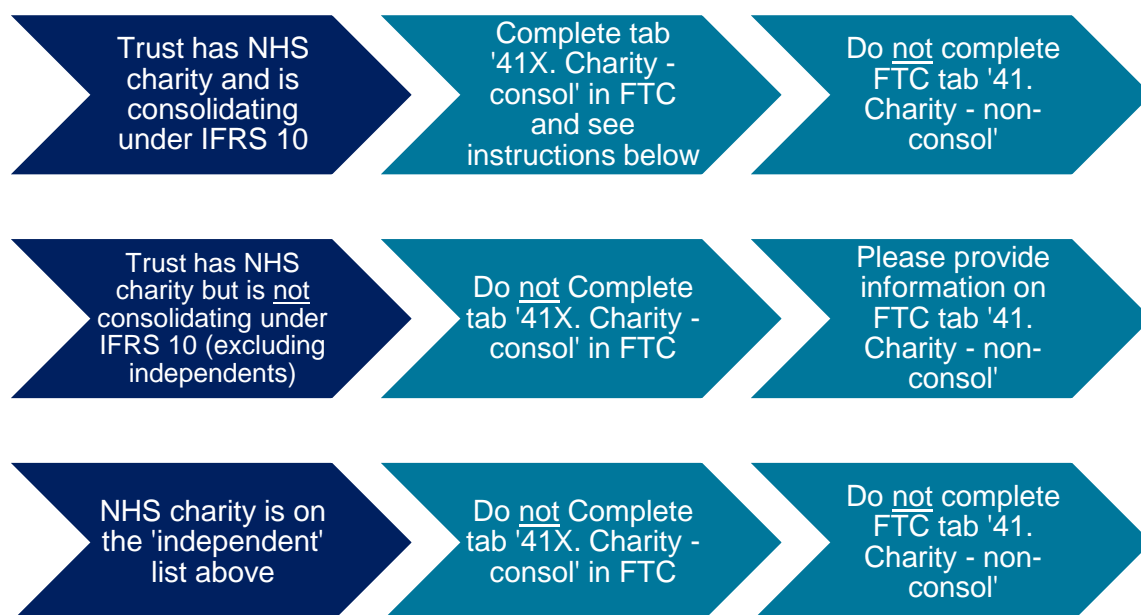
- Above & Beyond (i.e. University Hospitals of Bristol NHS FT)
- Addenbrooke's Charitable Trust (i.e. Cambridge University Hospital NHS FT)
- Chelsea & Westminster Health Charity (until 31 December 2016)
- Oxford Radcliffe Hospitals Charitable Fund
- Sheffield Hospitals Charity
- St George's Hospital Charity
- University College London Hospitals Charities

Separately, in 2016/17 there are a number of charities linked to NHS foundation trusts that are 'fully' independent and so will be entirely excluded from the DH consolidation and DH will not require any information from them:

- Brompton and Harefield NHS Foundation Trust
- Birmingham Children's Hospital Charity
- Chelsea & Westminster Health Charity (from 1 January 2017)
- Guys and St Thomas' Charity
- King's College Hospital Charity
- Moorfields Eye Hospital Charity
- Queen Elizabeth Hospital Birmingham Charity
- The Alder Hey Charity
- The Great Ormond Street Children's Charity
- The Royal Free Charity

Charity tabs in FTC template

For the purposes of the FTC file there are therefore three approaches depending on the form of the NHS charity:



If you are not consolidating (either due to control tests or on materiality grounds), please provide information on tab '41. *Charity – non-consol*' wherever possible (except where the charity is on the 'independent' list above).

In the unlikely scenario that you have more than one NHS charity and are consolidating one/some but not others, then please complete both tabs 41X and 41 as appropriate. Please also advise NHS Improvement by email to FT.Accounts@improvement.nhs.uk.

Section 7 of this guidance below provides instruction on how to consolidate a charity on tab 41X in the FTC file.

7 Consolidation of NHS charitable funds (unchanged from 2015/16)

IMPORTANT

NHS charitable funds are considered external to government and do not form part of agreement of balances. Therefore:

- any charitable funds numbers in accounts tabs are 'external to government';
- if you transact with another NHS body's charitable funds, you will exclude these amounts from the balance with that counterparty on the WGA tabs; and
- you will exclude charitable funds from any agreement of balances schedules you send.

7.1 Context

This guidance applies to where the NHS foundation trust is locally consolidating a charity, as set out in section 6.

7.2 NHS Improvement's objectives

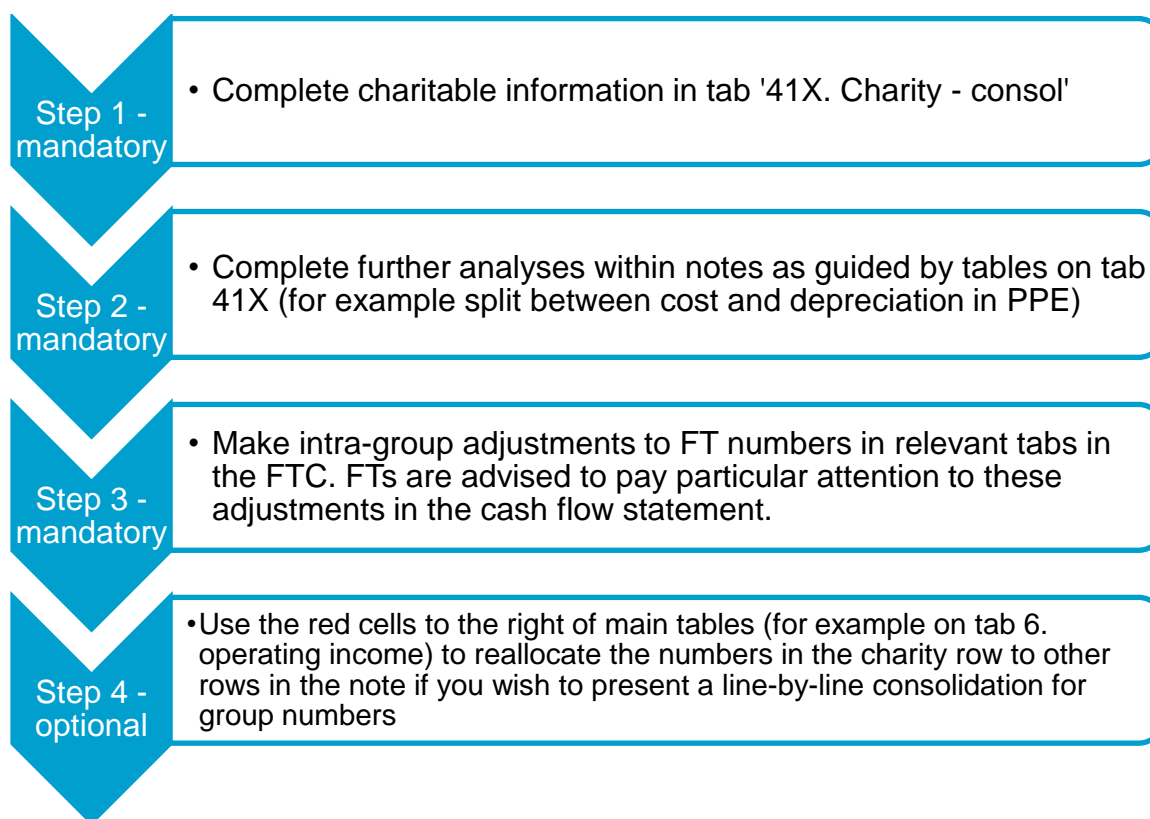
In preparing the Consolidated NHS Foundation Trust Accounts, NHS Improvement will consolidate the accounts of NHS foundation trusts, including local consolidation of charitable funds where this is performed under IFRS 10. Some NHS foundation trusts already prepare group accounts, due to other subsidiaries they already have.

As set out in the Department of Health Group Accounting Manual (DH GAM), NHS foundation trusts preparing group accounts will have 'group' and 'trust' columns in their accounts. For some foundation trusts, the 'group' column will include other subsidiaries, alongside the charitable funds. The FTC template has always captured 'group' numbers and will continue to do so. In designing the form of the FTC template, capturing 'group without charities' was not feasible as this would not enable auditors to confirm consistency between accounts and FTCs for all bodies.

The Department of Health intends to consolidate all charities as a separate exercise for its compliance with the ONS definition of the departmental group. NHS Improvement needs to be able to report consolidated FT sector numbers to the Department excluding charity numbers. Rather than require NHS foundation trusts to additionally provide 'group excluding charity' numbers throughout to NHS Improvement, NHS Improvement has designed the FTC template to enable NHS Improvement to de-consolidate charities, while seeking to simplify the process for NHS foundation trusts as much as possible.

7.3 How to complete the FTC

In summary, the approach to consolidating charities in the FTC is as follows:



Step 1 – complete charity information in tab ‘41X. Charity – consol’

Tab 41X has been designed to collect both charitable fund information (in a simplified format) on a gross (un-consolidated) basis as well as the elimination adjustments. Post-elimination charitable fund numbers then feed from this tab throughout the FTC in dedicated charitable fund columns / rows (identifiable by blue highlighting). This format enables deconsolidation by NHS Improvement at a group level, as explained in section 7.2 above.

Table A – Consolidated charitable funds information

Provide the name and the registered charity number of all charities consolidated within the FT’s annual accounts.

Where multiple charities are consolidated, gross charity figures (pre-elimination adjustments) should be added together in the following tables.

Table B – Statement of comprehensive income / Statement of financial activities

- Charitable funds numbers should be initially entered gross (prior to elimination adjustments for business with the FT) but after restatement for alignment of accounting policies, in columns D and G.
- The elimination adjustments (only the charity side of these adjustments) should then be included in columns E and H.
- Net charity numbers (after elimination adjustments) are then calculated in columns F and I which are populated into dedicated rows and columns in the operating income and expenditure notes and SOCITE.
- Note the text to the right of the table – red text indicates some manual input is required within the related note. (Step 2 of the consolidation process)

- On tab 41X, resources expended on charitable activities should be classified by ultimate beneficiary. Therefore, where the charity purchases an asset and subsequently donates it to the FT (rather than donating cash for the FT to purchase an asset), this expenditure should be recorded as 'expended with the FT' rather than the asset supplier. This expenditure should be eliminated on consolidation.
- On tab 41X, where the FT recharges staff or other costs to the charity and uses net accounting for this in the trust only accounts (thus recognising no income or expenditure), the expenditure within the charity should be considered as incurred directly with the employee / external to the NHS. There will be no elimination of the expenditure upon group consolidation as the elimination has already been performed within the FT accounts through the net accounting being used.

Table C – Statement of financial position / Balance sheet

- Three years of charitable funds balance sheet should be provided to enable restatement under IAS 8. Gross charitable funds figures should be entered in columns D, G and J.
- Elimination adjustments should be entered in columns E, H and K.
- Calculated net charitable fund balances are populated into dedicated rows and columns of related notes.
- Refer to text to the right hand side of the table – red text indicates some manual input is required within the note. (Step 2 of the consolidation process)

Table D – Movement in Charitable Funds reserve

- This is a simplified SOCIE (current year only). Where possible, movements are populated from previous tables however FTs should review the split between restricted and unrestricted reserves and clear the check with validates closing reserves against the SOFP.

Table E – Cash flow statement

NHS Improvement recognises that charitable funds meeting the definition of a 'small company' are not ordinarily required to produce a cash flow statement. This table has therefore been designed to facilitate the foundation trust in producing simplified cash flows which are then populated directly into the consolidated cash flow statement.

Cash flows should be entered based on gross charitable funds activities (prior to eliminations) in columns D and G, then adjusted for the impact of elimination adjustments (e.g. movement in payables) in columns E and H. Cash flows post elimination are then fed directly into the consolidated cash flow statement in dedicated charitable fund rows.

Trusts are reminded that cashflow adjustments for charitable funds should always be shown on tab 41X in the cashflow and not on tab 4.Cashflow.

Table F – Analysis of charitable income received by the FT

As explained in section 7.2 above, NHS Improvement will de-consolidate charities for reporting to the Department of Health. Intra-group adjustments will be reversed using the information provided on tab 41X. For intra-group income in the NHS foundation trust, NHS Improvement needs to know where this income is recorded in the trust accounts, in order to

allow these adjustments to be made. This table asks FTs to analyse the charity's expenditure with the FT into where this income is recorded.

Table G - Transfers reconciliation

Where an FT has gained control another NHS body's charitable funds during the year and this meets the definition of a subsidiary for the FT, this should be accounted for as an absorption transfer within the FT's group accounts. A gain on transfer may be recognised (within the group accounts only) and financial activity of the charitable fund should be consolidated for the current year only (i.e. no restatement of prior periods). By completing this note, assets and liabilities transferred will be automatically populated into movements note throughout the FTC.

This will not apply where the funds of a demising charity have transferred into the funds of the foundation trust's existing charity. This would be recorded as incoming resources in the underlying charity's accounts.

Checks

A number of checks have been included to ensure the internal consistency of charitable funds figures prior to elimination adjustments and also to ensure the consistency of movement notes with the information provided on Sheet 41X.

Step 2 – Complete further analyses within notes as guided by tables on tab 41X

The information provided on tab 41X is then fed automatically into dedicated charitable funds rows/columns throughout the rest of the FTC template. These are coloured blue for ease of identification.

Some information is entered in a summarised form in tab 41X and further analysis will be required in the corresponding group accounts note. For example, the net book value of PPE needs to be split into cost and accumulated depreciation in the PPE note. Narrative in column L/O on tab 41X identifies where this analysis is required.

Step 3 - Make intra-group adjustments to FT numbers in relevant tabs in the FTC

The completion of tab 41X allows charity numbers after intra-group eliminations to be fed to the rest of the FTC. Numbers in the remainder of the FTC for the FT therefore need to be adjusted to remove intra-group transactions. For example income from donations received by the FT from the charity will need to be eliminated. It is therefore very important that the analysis referred to above in Step 1 in Table F is completed so that NHS Improvement can understand where this income arises for the FT.

NHS Improvement advises FTs to not overlook the intra-group adjustments needed to be made to FT numbers in the cash flow statement, e.g. movements in working capital.

Step 4a – Optional - Use the red cells to the right of main tables to reallocate the numbers in the charity row in FTC notes

NHS Improvement does not expect the overall consolidation of charitable funds in the NHS foundation trust sector to be material to the consolidated NHS foundation trust accounts. NHS Improvement currently intends to use dedicated rows/columns for charitable fund balances, as shown in the FTCs. However NHS Improvement is conscious that for some FTs, consolidated charitable funds may be material to the local group accounts being prepared. FTs may wish to prepare a full line-by-line consolidation within notes in their accounts.

During the testing of the FTC template in 2013/14, some FTs fed back to us that they like to link their accounts to the FTC template and would not welcome having to do this reallocation within their accounts spreadsheet. The red columns to the right of relevant notes (for example income, expenditure, receivables, payables) have been added to allow FTs to reallocate the charity number in that note to other rows. It then calculates a revised total that FTs can use for linking to their accounts. Completion is optional and will not be used by NHS Improvement.

Step 4b – Optional – Use the blue cells to the right of main tables to create ‘Trust’ numbers

As explained throughout above, NHS Improvement needs to collect Group numbers in the FTC. NHS Improvement considered adding ‘Trust’ columns to the FTC throughout, but this would create additional burden for FTs in providing information that NHS Improvement does not need. The FTC therefore does not contain ‘Trust’ numbers.

In testing the FTC file in 2013/14, some FTs fed back to us that they like to fully link their accounts template to the FTC and seek to minimise the adjustments made in their accounts spreadsheet file. NHS Improvement has added additional optional columns (the blue columns) to the right of relevant notes to enable FTs to record ‘Trust’ numbers in the FTC. This is purely for the purpose of being able to link to these numbers from accounts spreadsheets. Completion is optional and will not be used by NHS Improvement.

Annex A: Full list of changes made to FTC

The following table lists all changes made to the 2016/17 FTC template since month 9.

Tab/Table/Note Affected	Change	Detail
AGS Info	New sheet	<p>This new tab has been added to collect high level summarised information relating to your trust's Annual Governance Statement. This is to assist with the preparation of NHSI's consolidated governance statement for the FT sector.</p> <p>This sheet does not need to be completed until audited submission (the validation is date specific).</p>
0. Year End Extra	New sheet	<p>The 'Year End Extra' tab has been included again this year to collect information to assist DH with group level consolidation adjustments. The information required has been reduced from prior year. A new requirement has been added in relation to deferred income from HEE.</p> <p>This tab needs to be completed for draft submissions (and updated at audited).</p>
1. SoCI	New table	A new table has been added to calculate 'Surplus/deficit on a control total basis'. This has been included for information only and is not required to be presented in accounts.
4. CF	Row removed	The previous free entry row for 'PFI lifecycle replacement prepayment' (subcode 232) has been removed as these amounts are included in the calculation of 'PPE additions'. Any amounts recorded here in the prior year have been added to the cash flow row for 'purchase of PPE' for consistency with the revised current year treatment.
4. CF	New row	<p>A new row (subcode 233) has been added to the investing cash flows section for recording PFI capital contribution prepayments (cash outflows).</p> <p>As a result of this row, the movement on the PFI capital contributions is now excluded from the movement in receivables in subcode 410.</p>
4. CF	Renamed row	Subcode 295 has been renamed to clarify that this cash flow is for all financing costs relating to PFI and should therefore include contingent rent. This has not been marked as a change as it is a clarification rather than an altered data requirement.
6. Op Inc (source)	New table	Table 2A has been added to separately record the different elements of STF income recognised. This table feeds the row in the 'Other operating income' note. The checks on this table feed new validation 19.
6. Op Inc (source) – Analysis of other operating income	New row	A new row has been added to this analysis for PFI transitional support where FTs were previously including this in 'other'.

Tab/Table/Note Affected	Change	Detail
11. Finance & Other – Note 10	Row locked	'Capital Grants in Kind' has been locked as it is not expected that FTs will have need to use this row. If you believe you do need to use this row please contact ft.accounts@improvement.nhs.uk .
13. Intangibles 14. PPE	Tables removed	FTs are now required to comply with the DH Group Accounting Manual and apply a capitalisation threshold of £5k. As such, the previous tables collecting details of locally applied capitalisation thresholds have been removed.
19. Inventories - Table 19A	New option	Analysis of inventories expenditure now permits amounts recorded in 'premises (other)' to be disclosed.
25. Provisions – Table 28A	New option	Analysis of provisions expenditure now permits amounts recorded in 'share of profit / (loss) of joint ventures' to be disclosed.
29. PFI (on-SoFP) - Table	Rows removed	The breakdown of other payments made to the service concession arrangement provider outside of the UP has now been removed.
29. PFI (on-SoFP) – Table 34E	New table	This memorandum table has been added to record the PFI revenue costs on a UK GAAP basis. This feeds the figure in table 34D. The table replaces JoC 33 at month 9 which was flagged as misleading by a number of FTs.
40. Free Text	Additional checks	The checks on the Free Text sheet have been extended to ensure that free text is entered where required and reduce the need for the Sector Financial Accounting team to contact trusts for more information.
40. Free Text	Rows removed	A number of free text questions have been removed in order to simplify the form. These are principally the former questions relating to financial instruments.
JoC 15	New JoC	Following a number of omissions at month 9 a new JoC has been introduced requiring an explanation if an FT has accepted a control total but recorded nil STF income.
JoC 23	New JoC	At month 9 incorrect completion of Table 13C created a large number of inconsistency issues between FTCs and monitoring forms. This JoC checks for consistency between this table and the PPE note.
Validations 25 & 26	Updated Validations	Validations 25 (off-payroll) and 26 (remuneration report) have been updated to only become applicable for the final audited submission. These sheets do not need to be completed until 31 May.

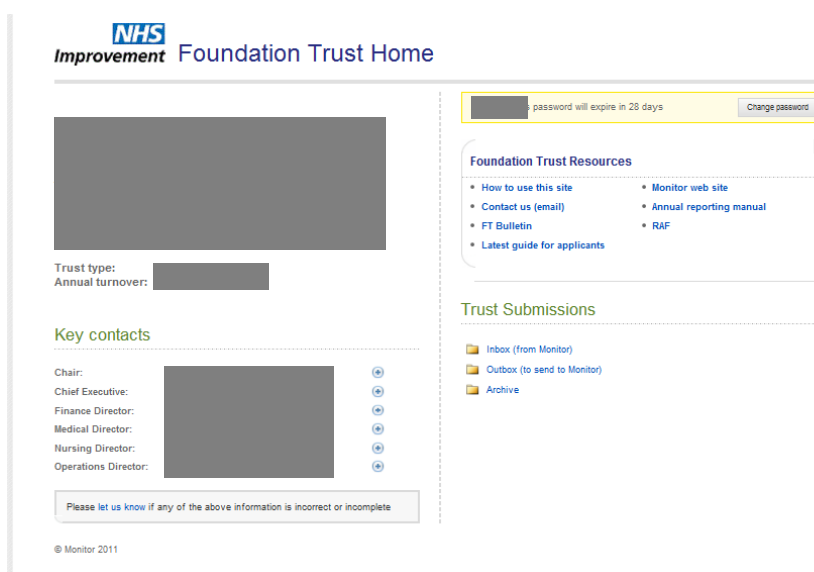
Annex B: Monitor Portal Upload Instructions

Planning forms for 2017/18 are uploaded to new NHS Improvement portals. For FTCs in 2016/17 you will continue to use the former Monitor Portal as in previous years, and so in this annex we use the term "Monitor portal".

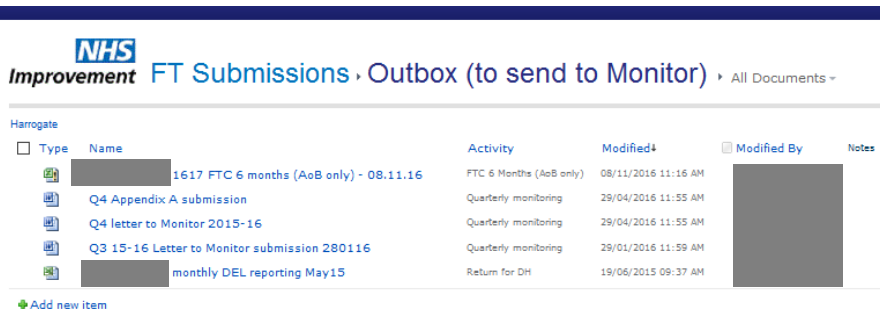
Following the instructions below will ensure that all files are submitted to NHS Improvement correctly and submissions are not classed as late due to errors in the Monitor Portal upload process.

You are advised to check your Monitor Portal log in works as planned several days prior to the submission deadline. Due to the high volume of queries NHS Improvement receives around submission day, it may prove difficult to contact a member of NHS Improvement staff who can help you with any log in problems.

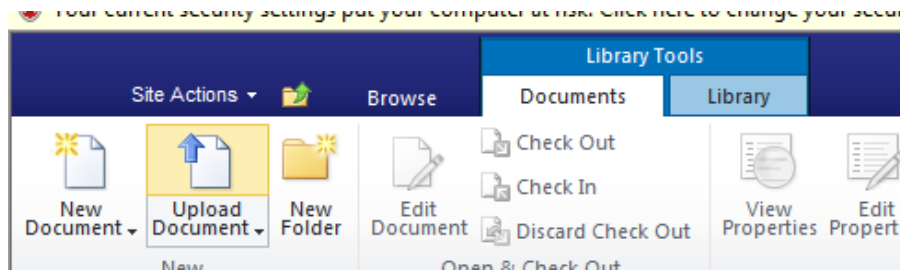
1. Open the Internet Browser (Internet Explorer 7 and higher is recommended as the system is not supported on Firefox and Chrome as well as earlier versions of Internet Explorer)
2. Browse to [https://portal.monitor-nhsft.gov.uk/trusts/\[MARSID\]](https://portal.monitor-nhsft.gov.uk/trusts/[MARSID]) with MARS being the ID as communicated to you by NHS Improvement.
3. Enter your username and password into the dialog box which appears. These will have been emailed to the person whose name the account is in. All usernames begin with IRNHSFT\ and there is a full stop in between the first and last name. You will then see the screen below:



4. Click on Outbox (to send to Monitor) and you will see the screen below.



- Click on the documents tab at the top of the screen, (see below tab in white) then click on Upload document.



- Click on browse and find the file which you wish to upload then click on OK.
- Once the file has uploaded, you need to tell the system what kind of file it is. Choose **Trust Return under Content Type** for all your FTC and accounts submissions.
- Choose the Activity for what you are returning. This activity should have been communicated to you by NHS Improvement prior to the returns process. If you are unsure, refer to NHS Improvement.
- Important Note: The 2 fields above MUST be filled out correctly otherwise NHS Improvement's automated systems cannot recognise the files. There will be a delay in analysing your data and your return might be considered late by NHS Improvement.**

