

# Publication withdrawn

This guidance was withdrawn on 5 April 2024.

From 2023 to 2024, the Department of Health and Social Care (DHSC) agreement of balances guidance is made available directly to DHSC group bodies.



# Agreement of balances guidance 2022 to 2023

Prepared by the Department of Health and Social Care, and NHS England.

February 2023

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# Executive summary

## Introduction to the guide

This guide is designed to provide practical guidance for the completion of the Department of Health and Social Care (DHSC) accounting group (DHSC Group) agreement of balances exercises.

While the DHSC Group Accounting Manual (GAM) outlines the principles of the exercise including the associated accounting principles, this guidance includes more details of how the exercise should be completed in practice. The guidance should therefore be read in conjunction with the guidance within the GAM.

The following definitions will apply to Agreement of Balances (AoB), and will be used throughout the guidance:

- receivable organisation - this is the organisation sending the invoice(s) or carrying the trade receivable(s) and recording the income (the supplier or provider) unless using net accounting (see [section 6](#) and [Appendix 4](#))
- payable organisation – this is the organisation receiving the invoice(s) or the trade payable and recording the expenditure (the purchaser or commissioner) unless using net accounting (see [section 6](#) and [Appendix 4](#))

The definitions apply when referring to both payables or receivables and income or expenditure agreements.

For the purpose of this guidance document, the 'national bodies' means the Department of Health and Social Care (DHSC) and NHS England (NHSE). See section 7 of this guidance for the processes to follow in agreeing balances with NHS England and its entities.

# 1. The AoB process

- 1.1 The Department of Health and Social Care (DHSC) is required to consolidate the accounts of all organisations (departmental group bodies) falling within the Resource Accounting Boundary (RAB), as expanded by the Constitutional Reform and Governance Act 2010 (HM Treasury's alignment legislation). Under International Financial Reporting Standard 10 (IFRS10), paragraph B86, consolidated statements should "...eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group".
- 1.2 The AoB process seeks to identify all income and expenditure transactions and payable and receivable balances that arise from the contracts for the provision of goods and services between DHSC group bodies (intragroup).
- 1.3 Additionally, it forms an essential part of an organisation's financial management ensuring that an organisation's payable and receivable balances and understanding of future cash flows are correct.
- 1.4 Agreeing, or not agreeing, a transaction or balance as part of the AoB process does not constitute a legal obligation to pay or not pay. Additionally, the lack of a balance on a received statement does not remove a receivable entity's right to make further updates once the agreement exercise has concluded. It is, however, expected that such changes would be discussed between counterparties as part of normal business activities.
- 1.5 The AoB process caters for the accurate elimination of intragroup transactions within the consolidated departmental account and for the preparation of the DHSC's Whole of Government Account (WGA) consolidation return to HM Treasury. NHS England also eliminates transactions and balances between its group bodies in preparing its sector specific consolidated accounts.

## The quarterly AoB exercise

- 1.6 The AoB exercise is usually completed 3 times a year at Q2, Q3 and Q4.
- 1.7 The Q2 agreement exercise is for receivables and payables only and does not include agreement with local authorities and other government departments. Receivable organisations must issue statements to payable organisations (see [summary of thresholds for issuing and agreeing statements below](#)) and, if the payable organisations do not receive statements they expect, they should contact the receivable organisations to request a statement (by the date given in the AoB

timetable, on gov.uk). Although agreeing balances at Q2 is not mandatory and the submission of AoB data is not required, as best practice we encourage organisations to participate in discussions, where there is a need to do so locally, to resolve significant issues.

- 1.8 At Q3 and Q4 submission of all AoB data (receivables, payables, income, and expenditure), and balances and transactions with local authorities and other government departments, is required.
- 1.9 The AoB exercise completed at Q3 contributes to the DHSC consolidated interim accounts. The exercise looks to agree both outstanding payables and receivables and income and expenditure for the year to date, as well as providing figures for the interim accounts. Any issues arising since Q2 can be addressed for resolution before year-end. It also provides an indication of any issues which DHSC and consolidation entities may need to resolve in preparation for year-end.
- 1.10 The AoB exercise completed at Q4 contributes directly to the year-end production of the consolidated provider, NHS England and DHSC consolidated final accounts. This agreement exercise includes receivables and payables and income and expenditure. Accruals statements should be sent by receivable organisations and discussions should take place and wherever possible accruals should be agreed, although formal agreement is not required, and all organisations include their own ledger accruals balances in their AoB submissions.
- 1.11 At Q4, DHSC group bodies are also required to agree balances and transactions with bodies within the WGA boundary where the balance or transaction exceeds the WGA agreement limit. Local authorities, NHS trusts and foundation trusts and public corporations are exempt from WGA agreements. Further information on agreeing balances with WGA bodies is available in the Whole of Government Accounts collection on GOV.UK.

## Summary of thresholds for issuing and agreeing statements

- 1.12 A summary of the thresholds for issuing and agreeing to statements is as follows:

Area	Policy - Issuing Statements	Policy – Agreeing (see note 3)
Q2 R and P	£2,500 (see note 1)	£100,000 (see note 2)
Q3 R and P	£2,500	£300,000
Q3 I and E	£10,000	£300,000



Area	Policy - Issuing Statements	Policy – Agreeing (see note 3)
Q3 accruals	No statements (see note 1)	No statements
Q4 R and P	£2,500 (see note 1)	£300,000
Q4 I and E	£2m (see note 1)	£3m
Q4 accruals	No de minimis	Statement issued but agreement not mandatory

Note 1 - Note that organisations are still able to send statements at a lower level than these if they have automated processes for issuing statements and wish to continue doing so. The threshold limits will be reviewed and updated as necessary.

Note 2 - Suggested threshold for voluntary agreements (Q2)

Note 3 - The de-minimis for agreeing balances has been set by DHSC and national bodies. The threshold is lower at M09, this is so that all material balances are agreed prior to M12. At M12 the threshold is higher to avoid agreeing balances that have already been agreed. As above, the threshold limits will be reviewed and updated prior to each exercise.

## 2. AoB best practice

From discussions with the NHS, the following examples of best practice have been identified and organisations should follow these:

### Receivable organisations

2.1 Receivable organisations should:

- provide as much relevant information as possible on their statements ([see section 3](#)) so that payable organisations are better able to identify amounts that may be outstanding, and to assist the discussion and resolution between them
- send statements in Excel format (must not be sent in pdf)
- send statements before deadlines (see AoB timetable on gov.uk)
- send statements to the correct contact email address. Use the current AoB contact list, which is issued by DHSC just prior to each AoB exercise to ensure that the correct person in the payable organisation receives the statement
- quote their organisation code in the subject line of the email. Please note the process for sending statements to NHS England as per [section 7](#) of this guidance
- issue statements electronically and where possible discussions should also be conducted electronically as issuing and responding to email allows more time for agreement

### Payable organisations

2.2 Payable organisations should:

- respond to the receivable organisation's statement as soon as possible (quoting your NHS organisation code in the subject line of the email). This is particularly important where balances are not fully agreed to allow more time for resolution of problems
- inform the receivable organisation where the payable organisation is including a balance which the receivable organisation may not be expecting (for example, accruals during Q2 to Q3, converting a negative payable to a receivable and so on). This is good practice as this will enable the receivable organisation to either match the treatment or explain any remaining mismatch

- complete the exercise within the agreed deadlines ([see AoB timetable on gov.uk](#)) – deadlines are agreed in advance of each exercise by DHSC and its national bodies to give participants adequate time to complete their parts
- not request statements or a response until the deadline has passed. This is to allow organisations time to complete their exercise within the deadlines. Priority must be given to those balances within the remit of the exercise

## All organisations

### 2.3 All organisations should:

- complete the data collection forms correctly – to enable DHSC and its national bodies to see the overall balance for elimination, and to be able to correctly determine where mismatches exist, it is important that balances are recorded in the correct part of the collection templates. This is especially important at Q4 when the AoB forms must agree to the accounts that are submitted at the same time. Further details can be found in [section 5](#)
- not adjust balances erroneously; especially when being asked to resubmit balances when material mismatches occur. In no circumstances should balances be adjusted simply to bring a mismatch under the tolerance set – see [section 8](#) and [section 9](#). Such manipulations could increase the total mismatch across the sector and increase the likelihood of there being additional AoB processes and resubmissions
- provide reasons for adjustments where requested – where collection forms provide free-text cells to record why any material adjustment has been included, please provide those explanations. It will save time at year-end if this could be completed upon the first submission of balances. The free-text explanations can enable DHSC to make central adjustments and/or justify the impact of the mismatch to DHSC's auditors, reducing the need for further resubmissions

## 3. Creating and sending statements

### Creating AoB statements

3.1 AoB statements should be created by receivable organisations in Excel format and contain sufficient information to allow payable organisations to identify invoices that have been issued (income and expenditure) or are outstanding (receivables and payables) up to and including the final invoicing date.

3.2 For providers and commissioners, a simplified payments system is in place for 2022 to 2023 and the primary method of payment remains via invoice payment file (IPF) to minimise the use of invoices and payment requests. Where payments are not invoiced, they still form the major part of intra-group transacting and will be subject to the AoB process. Providers should include the receipt of all commissioner payments on income statements, similar to other non-invoiced income streams such as grants. Reimbursements should be included on income statements where they have been received in cash, any accrued reimbursements should be included on accruals statements.

3.3 The minimum requirement for statement content is:

- the name of the receivable organisation the agreement is with
- the name of the payable organisation the agreement is with
- the date the invoice was or invoices were issued
- the invoice number(s)
- purchase order numbers relating to the invoices can be used if no invoice number is available or as provided as additional detail to assist the payable organisation
- the total amount of the invoice(s)
- the amount of the invoice(s) which is (are) unpaid (receivables and payables)
- whether invoices relate to capital expenditure (see Capital income and expenditure)
- a contact phone number and email address for queries and disputes

3.4 Additionally, it is helpful if the statements include:

- a description as to what the charge is for, especially when the charge is included on the accruals statement at Q4
  - the name of the contact within the agreeing organisation, who had commissioned the service being provided; and whether the invoice is being treated as a recharge
  - any additional information which may help both organisations discuss or agree the balance. Receivable bodies may wish to include information concerning any predecessor entity - for example clinical commission group (CCG) to integrated care board (ICB) - to assist payable organisations
- 3.5 Invoices for lease payments should be included on income and receivables statements regardless of the accounting treatment applied.
- 3.6 Where invoices are raised relating solely to future periods and are included on receivables statements, they should be clearly marked as relating to a future period.

## When statements should be sent

- 3.7 See section [Summary of thresholds for issuing and agreeing to statements](#) for policy for issuing statements at each AoB exercise. Nil balances should not be issued in any circumstances.
- 3.8 Note – if the payable organisation thinks they have a balance with the receivable organisation but do not receive a statement, it is its responsibility to discuss the issue with the receivable organisation (using the AoB contact list) after the deadline for statement issue has passed.
- 3.9 Statements containing balances for multiple payable entities should not be issued in any circumstances. A separate statement should be completed for each payable organisation. NHS England organisations (7 regions, each of which includes its specialised commissioning hub, the central specialised team and the core central team) are separate bodies for AoB purposes. Refer to guidance at [section 7 and Appendices 1 and 3](#).
- 3.10 Receivable organisations should only send one statement to each payable organisation, to ensure the correct balance is recorded on collection. Therefore, where the receivable organisation has multiple customer accounts for a single entity, or they are hosting services (as defined in [areas of potential issue](#)), a statement of all balances should be issued, except for NHS England (see [section 7](#) for more information).

3.11 Where an NHS trust becomes an NHS foundation trust (FT) part way through the year, it is necessary to send statements to the appropriate organisation. For example, if a trust becomes an FT on 1 March, at Q4 receivable statements should be sent to the NHS foundation trust only, but income statements are sent to the legacy NHS trust for the 11 months from 1 April to 28 February and to the foundation trust from 1 March to 31 March -to the organisation with which the transaction took place ([see balances with organisations which ceased or commenced during the year for further information](#)).

## Accruals statements (year-end only)

3.12 At the year-end, an accruals statement should also be issued by receivable organisations (by the date set out in the DHSC national AoB timetable) to show the payable organisations the amounts the receivable organisation will be including in its AoB submission for accruals. The accruals statement must reflect accruals in the receivable organisation's ledger.

3.13 Accruals statements should include the same level of information as the usual statements ([see creating AoB statements above](#)) and, where possible:

- detailed information on the estimation technique or methodology
- the period that the accrual covers
- contact names of who agreed the accrual amounts from both organisations
- any other information you feel the payable organisation will find helpful
- note: Individual accruals should be listed separately on statements allowing the payable organisation to identify and match to accruals in their accounts

3.14 The following should be included in accruals statements:

- post year end dated invoices that relate to goods and services delivered in the previous financial year
- any further payments received since the cut-off point and the end of the accounting period provided in the AoB timetable
- accruals for goods or services provided during the year for which an invoice has not been issued

- any other receivable or payable balances (including prepayments and deferred income) for trading balances in the current financial year that organisations would expect to include as part of their final balance. This should include non-invoiced income including grants
- 3.15 it is important that all accruals are raised, and accruals statements issued, in order that both organisations reflect the correct expenditure and income in the appropriate year in their financial accounts to avoid timing differences and allow the transactions to be eliminated within the group account

## Issuing AoB statements

- 3.16 NHS Shared Business Services will issue receivables statements on behalf of organisations within the NHS England group; however receivable statements to go to NHS England regions (including their specialised commissioning hub), Central Specialised Commissioning (13Q) and/or core need to be produced by the receivable organisation themselves. Please see [section 7](#) of this guidance in respect of statements for NHS England group bodies.
- 3.17 AoB contact lists are updated prior to each agreement exercise and are circulated by DHSC directly to arm's length bodies (ALBs) and via NHSE for their respective group bodies. Receivable organisations must send statements to the email addresses on the latest AoB contact list. Organisations have been requested to use generic email addresses primarily, as these are less likely to change. However, to apply some flexibility to the process, specifically named email addresses can be used as additional contacts especially where time to resolve an issue is at a premium, to meet a deadline.
- 3.18 It is therefore extremely important that both payable and receivable organisations check their details on the AoB contact list thoroughly in the update process prior to the AoB exercise. AoB contact list updates are coordinated by NHSE for their group bodies prior to each AoB exercise. Changes should not be sent directly to DHSC. Any revisions to future contact lists are highlighted in yellow. All organisations need to ensure they have and apply the latest version prior to each exercise.
- 3.19 The AoB contact list may be password protected to try and reduce the number of unsolicited emails organisations have been receiving. The password will be sent to organisations at the start of the exercise by DHSC.

## 4. Agreeing to the balances received

### Checking the statements

- 4.1 On receipt of the statement from the receivable organisation, the payable organisation should check the list of balances against their ledger to determine whether they agree to the amounts listed. It should be noted that the AoB agreement forms an agreement that the balance is correct and is outstanding for payment. It is not an agreement that the balance will be paid.
- 4.2 If the invoice is not on the payable organisation's sub ledger, or full approval has not yet been given, then the payable organisation should carry out further investigation into whether the balance can be agreed in principle. This may be through further communication with invoice approvers, or by contacting the receivable organisation for further details.
- 4.3 In the case of income and expenditure transactions the payable organisation should check expenditure reports from its ledger to make sure that it has the listed transactions recorded in the current financial year. If it is recorded within the general ledger for the same year as the AoB exercise, then this is a transaction that can be agreed.
- 4.4 If the transaction does not appear, the payable organisations will need to investigate further. It may be that the transaction needs to be accrued for, or that the transaction is shown as being for a prior or future financial year (or after the agreement period, in the case of Q2 and Q3 exercises), or additional information is required regarding the transaction to be able to locate the amounts.
- 4.5 Payable organisations should prepare reports of outstanding payables balances or expenditure for the year to date in advance of receipt of the statement. This will also allow them to quickly follow up any statements not received by the deadline. However, requests for statements should not be made in advance of the deadline.

### Confirming agreed balances

- 4.6 Prior to the AoB exercise, a de minimis level is set for responding to statements ([see section 1](#)). The level is set to ensure that a significant amount of intra-group balances is agreed between organisations, while also removing the requirement to chase other bodies for small payments. The exclusion of smaller amounts from the AoB exercises does not mean that these amounts should not be paid within the course of an organisations regular business.



- 4.7 For balances above these levels, confirmation of the balance agreed to should be issued to the receivable organisation.
- 4.8 Although there is no requirement to agree statement balances below these de minimis levels, they still need to be included within the total balances recorded on the collection forms against the relevant receivable organisation – see [section 5](#).
- 4.9 It is considered good practice for payable organisations to issue a return to receivable organisations where a dispute is likely to be (or has already been) raised on some or all of the balance. Examples may include where you do not agree to the total invoiced or you are aware that invoices for another organisation have been issued to you ([see worked examples at Annex 3](#)).
- 4.10 If the receivable organisation has sent the payable organisation a template for responding to the statement, this should be used by the payable organisation to reply and agree their balances.
- 4.11 If no pro forma has been provided for completion, then the payable organisation should include the following in its response:
- the invoice number(s) and outstanding balance as indicated by the receivable organisation on its statement
  - the amount of the invoice(s) which is agreed to (or agreed to in principle) – this is the amount which the payable organisation has approval to pay
  - the amount of the invoice that is not agreed to, but not yet in formal dispute
  - the amount of the invoice that is to be taken to a formal dispute – this is the amount that the payable organisation will not approve for payment, and for which the dispute will be formally raised for mediation
  - where balances are not agreed in full, a description of the requests for additional information
- 4.12 When communicating approval, it is important to distinguish the amount that has been approved and agreed to, from the amount which has not. For example, if an invoice is for £30,000 for a secondment of 30 days' work (at £1,000 per day) but the person only worked 20 days, the expectation would be that the payable organisation agrees to the 20 days worked, but not agrees to the other 10 days (the payable organisation would not contest the whole £30,000).
- 4.13 The payable and receivable organisations would then discuss. In this instance, the receivable organisation would need to adjust its income and receivable

amounts in its accounts because it has over-invoiced. Both organisations would either record £30,000 in the notified column and a negative adjustment of £10,000 in the 'adjustment' column or the receivable organisation may issue a revised statement for £20,000 (with prior agreement from both parties) and both will record £20,000 in the notified column.

- 4.14 Details of how to record on the collection form can be found [in section 5 below](#) and there are further examples given in [Annex 3](#).

## Timing of response

- 4.15 The deadline for responding to statements issued is agreed between DHSC and its national bodies, in advance of the exercise, and is set out in the DHSC AoB timetable (on gov.uk website). In Q3 and Q4, payable organisations should ensure that a response is issued to all statements with a balance greater than the de minimis level ([see summary of thresholds for issuing and agreeing to statements](#)) before the deadline passes. In Q2, responding to statements is strongly encouraged.
- 4.16 Wherever possible, payable organisations should issue a response to receivable organisations as soon as possible in advance of this deadline if they are aware that they will not be agreeing to the statement balance in full. This is to let the receivable organisation know about any problems they may not be aware of, and ensure that if information is requested from them, they have time to act in advance of the deadline as the receipt of additional information may allow balances to be fully agreed. This will also allow time for the receivable organisation to reallocate balances to the correct organisation if they were allocated incorrectly initially.

## Agreeing accruals

- 4.17 Organisations must record the accruals as shown in their ledger in the accrual column for both the Q3 and Q4 exercises to ensure that the 'total' figure reflects their true ledger position.
- 4.18 At Q4 an accruals statement must be issued by receivable organisations and discussions between the 2 parties must take place, as per the Q4 timetable. This should allow the adjustment of accruals in one or both ledgers, and hopefully agree the accruals in the accounts and therefore not have an AoB mismatch. Mismatches may arise where no such discussion has taken place. These mismatches can be overcome through discussion between agreement bodies outside of, or in advance of, the agreement exercise to ensure both bodies can

agree on the amounts that are due. It is important as part of ongoing business, that payable organisations seek to obtain invoices for goods received where they have not been sent in reasonable time. It is also important that parties enter into discussions regarding estimates.

## 5. Completing the AoB submission forms (Q3 and Q4)

### Data collection forms

5.1 In Q3 and Q4, following the agreements process described in section 4 above both payable and receivable organisations are required to report their receivable and payable balances and their income and expenditure transaction totals to DHSC (or its national bodies):

- NHS trusts and NHS foundation trusts submit to NHS England using Provider Finance Return (PFR) forms
- NHS England group bodies submit to NHSE using NHS England combined Agreement of Balances toolkit ('CAT') AoB submission Excel workbook
- Arm's length bodies (ALBs) and non-departmental public bodies (NDPBs) submit directly to DHSC using DHSC consolidation schedules
- the term 'data collection form' will be used in this guidance to refer to all the above forms, and any other form used for submitting balances under the AoB exercise

### Overview of data collection

5.2 Each of the payables, receivables, income and expenditure are split into a further 4 parts:

- notified
- accrued
- adjusted
- disputed (payables and expenditure only [see section 5](#))
- total – this is the amount which is validated against the value of payables and receivables or income and expenditure included in the accounts notes. It is a protected cell containing a sum: notified + disputed + adjustments + accrued = total. Organisations are not expected to calculate their own totals

- 5.3 Some data collection forms contain a tab separate to the balance agreements where a justification of the figures can be included. Where any adjustments or disputed balances are included, the gross balance across each organisation type is included within the free-text tab on DHSC forms.
- 5.4 The following subsections show what type of balance should be recorded in each column, and [Annex 3](#) provides examples of how this may work in practice.

## Notified column

- 5.5 The invoiced balance included on the statement issued by the receivable organisation should be recorded under 'notified' (if the statement has been addressed to the correct organisation) by both the receivable and payable organisation. This is to show that both parties have the same starting position, and therefore where the overall total does not match between 2 organisations, this is due to true disagreements on the balance recorded elsewhere.
- 5.6 The exception to the above is accruals – which should be separately identified on accruals statements in Q4. Accruals statements are to inform discussion, and the value should not be entered in either parties' notified column.

## Accrued column

- 5.7 For Q3 and Q4, each organisation records accruals as shown in its own ledger in the accrued column.
- 5.8 Although accruals statements are not issued at Q3, it is vital that organisations report their ledger accrual figures in the data collection forms and use mismatch reports to aid participants at the mismatch resolution stage.
- 5.9 At Q4 accruals statements are issued, and discussions should take place to ensure that: accruals figure is consistent between counterparties; ledgers are adjusted accordingly and agreement reached wherever possible. Note that, irrespective of the value on the accrual statement, organisations should always ensure their accruals ledger balance is shown in the accrued column – statements are sent at Q4 to inform the discussion.
- 5.10 NHS bodies will have both unvalidated and estimated activity when completing AoB data collection forms. Both parties must agree an approach prior to the AoB deadlines on quantifying both elements to ensure a consistent treatment within their accounts. Providers should ensure that up to date activity information (in the form of a detailed working paper) is shared to allow commissioners to verify and

include estimated activity within their position. This should be done in conjunction with the emailing of accruals statements by the deadline provided in the AoB timetable.

## Adjusted column

- 5.11 An adjustment may be recorded in the adjusted column in a number of circumstances.
- 5.12 Receivable adjustments: As the notified column contains the statement value, a positive or negative adjustment may be needed in the 'adjustment' column if there is a change in the receivables balance since the statement was issued. For example: this could be due to individual amounts listed on the statement being lower than the outstanding amount (negative adjustment) or a missing receivable being identified as a result of discussions with a counterparty (positive adjustment).
- 5.13 Payable adjustments: As the payable organisation will have recorded the receivable's organisation's statement value in its notified column, a positive or negative adjustment may be recorded in the 'adjusted' column where the receivable organisation gives late notification of an invoice (positive adjustment) or notifies that the balance previously included on the statement was too low (positive adjustment), or where a future period invoice is included on a statement (negative adjustment). A positive adjustment may also occur due to invoices which are on a payable organisation's ledger but were not included in the receivable organisation's statement. In this case the payable organisation should make every effort to obtain the invoice from the receivable organisation.
- 5.14 Where a balance cannot be agreed prior to the agreement deadline due to unvalidated invoices, an adjustment should be made (via the 'adjusted' column). Where invoices received prior to the deadline stated in the AoB timetable have not been validated, every effort should be made to accrue for the transaction or balance to avoid mismatches. It is not acceptable for mismatches to arise purely because the payable organisation has not yet validated an invoice sent before the deadline specified in the AoB timetable.
- 5.15 [Annex 3](#) contains more detailed examples of where an adjustment balance may be recorded.

## Capital adjustments

- 5.16 Capital income and expenditure should be included in the issued statements and should be clearly marked as such. The total notified amount on the statement should be included within the notified column of both the receivable and payable organisation. The organisation(s) treating the income or expenditure as capital, should then enter the balance as a negative amount under the 'adjusted' column to remove the capital element from the overall trading totals being agreed. This may result in an unavoidable mismatch between the organisations.
- 5.17 For example, the receivable organisation may second a member of staff to the payable organisation and the nature of the work means the secondee's costs are capitalised. As a result, the payable organisation would not have the staff cost to match against the receivable organisation's staff income. In this instance, the payable organisation should adjust out any intercompany transactions relating to capital expenditure in the 'adjusted' column.

## Disputed column

- 5.18 Only payable organisations can have balances in the 'disputed' column. Balances recorded within the 'disputed' column must represent a reduction in the balance (a negative value) entered by the payable organisation to reflect (only) the amounts in formal disagreement, that is only the element in formal dispute, not the whole statement amount - see example below. A disputed item should never be positive (as logic dictates that organisations would never dispute that they owed a greater amount). A dispute would occur in a situation where the payable organisation has completed its investigation into the balance and has determined there is no agreement to pay. This may be due to a contractual disagreement over the amount which should be paid. Amounts can only be entered in the 'disputed' column if the payable organisation is intending to take, or in the process of taking, the invoice to mediation or through the formal dispute process set out in the contract. Payable organisations must identify any invoices they are disputing in their response to the receivable organisation, so the receivable organisation is aware ([see section 4 above](#)).
- 5.19 Receivable organisations: A disputed balance should not be recorded on the data collection form, as it would not make sense for a receivable organisation to formally dispute their own invoices.
- 5.20 Example: If a receivable organisation issues a statement for £70,000, and the payable organisation can agree £65,000, but has £5,000 in formal dispute, then the following happens:

- the receivable organisation records £70,000 notified balance in its AoB data collection return
- the payable organisation records £70,000 under notified (as it was included on the statement from the receivable organisation). However, the 'total' balance would be reduced by entering a negative £5,000 in the 'disputed' column, to show only £65,000, which reflects the actual balance that the payable organisation is recording in its accounts
- there is a net mismatch of £5,000 between the organisations

5.21 A disputed balance would constitute a valid reason for a mismatch to exist on agreement of the balances. Payable organisations with disputed balances must ensure that the balance has been disputed for a valid reason, and not just to avoid clearance of mismatches, and that the relevant national body has been informed in an effort to resolve the dispute. [Annex 3](#) contains examples of where a disputed balance may be recorded.

5.22 In most cases, payable organisations should have the same amount disputed in payables as they do in expenditure. If the amounts are different, the payable organisation should be confident in the reasons why.



## 6. Areas of potential issue

### Gross and net accounting and recharges

The default treatment is for all transactions and balances to be treated as gross.

6.1 The overarching principle is that transactions must be accounted for in accordance with accounting standards, with all treatments having been agreed by both parties. IAS 1 states that "income and expenses, may not be offset unless required or permitted by an IFRS". One standard is IFRS 15, where netting off is permitted when an agency arrangement has been identified ([see appendix 4](#)). This means revenue income and expenditure must be recorded gross unless the transaction is of a non-trading nature, and the organisation is deemed to have transferred risks and rewards and be acting solely as an agent.

- 'gross accounting' refers to the separate recording of inflows and outflows in an entity's accounts, recognising the impact on the entity's income and expenditure
- 'net accounting' refers to the netting off of inflows and outflows in an agency relationship, so that the entity only recognises impacts to the extent that it is acting as a principal

6.2 The accounting treatment of transactions should be agreed in advance between all parties (including the care provider) to ensure consistency. If transactions are to be recorded on a net basis, or as a recharge, organisations must seek to ensure that:

- the accounting treatment of transactions is agreed between all parties to ensure consistency
- agreements reached should be clear and auditable

The general principles are:

- transactions that are of a trading nature are to be shown gross by both parties
- where an organisation acts solely as an agent from the transaction, the item should be treated as a recharge and be accounted for net
- receivables and payables should be recorded against the organisations actually paying the invoices, even in an agency situation

- each circumstance should be assessed individually, and treatment agreed
- 6.3 An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. For example, with a staff recharge relevant considerations might include who bears the risk if the member of staff is off sick for a period and unable to work, among other factors. If the receiving organisation would continue to pay the employing organisation in the event of a period of sick leave, this might be a factor suggesting that the employing organisation has transferred the risks. As noted above, each circumstance should be assessed individually. Organisations should discuss with their external auditor if they need to determine how to account for an arrangement.
- 6.4 In an agency relationship, the cash may pass from the principal to the agent in advance of the delivery of any actual service. At this point, for the purpose of AoB, the agent recognises a payable and the principal recognises a receivable. However, once the third party has begun delivery of the service, they have earned some income, and this is then reflected in the receivables and payables.
- 6.5 In order to illustrate this, 2 examples are shown below relating to foundation trusts. NHS England commissioning entities operating in the integrated Single Finance Environment (ISFE) should refer to the NHS England guidance in [Appendix 4](#).

## Reflecting the gross and net accounting in the collection forms: staff recharges

Foundation trust A is completing its collection forms. There are 4 scenarios for how it might have staff recharges with NHS trust B.

### 1. Staff permanently employed on foundation trust A payroll. Foundation trust A is recharging NHS trust B.

Type	(1a) Gross for the employer (risks and rewards remain with foundation trust A – FT A is the principal)	(1b) Net for the employer (risks and rewards passed to NHS trust B – foundation trust A therefore the agent)
Foundation trust A: income	Record in income note with WGA code.	Nothing recorded in income note – items are netted off.
Foundation trust A: expenditure	Record total staff costs as permanently employed against salaries and wages. Record as 'business external to government' with no WGA codes attached to transaction.	Record total staff costs as permanently employed. Record in 'business external to government' with no WGA codes attached to transaction. Record income received from WGA body in respect of recharge in 'Recoveries from bodies in respect of staff costs netted off expenditure' in the employee benefits note. This would show as a negative amount to represent receipt. It would be classified as 'external to government'. Overall staff costs would show nil assuming the recharge amount was for full staff cost amount.
Impact	Show gross income and gross staff costs	Show no income and staff costs netted to £0
Equivalent for NHS trust B	NHS trust B will record the expenditure in staff costs as 'other' (rather than permanently employed) and in the WGA analysis for foundation trusts.	NHS trust B will record the expenditure in staff costs as 'other' (rather than permanently employed) but will record this as 'external to government' – they are the organisation recording the principal element of the employment cost.

Type	(1a) Gross for the employer (risks and rewards remain with foundation trust A – FT A is the principal)	(1b) Net for the employer (risks and rewards passed to NHS trust B – foundation trust A therefore the agent)
Transaction elimination for DHSC consolidation	Upon consolidation income for FT A will be eliminated with expenditure from NHS trust B (both being WGA). FT A staff costs will remain.	Upon consolidation staff costs from NHS trust B will remain. Foundation trust A accounts will be already showing nil income and nil staff costs (income netted off staff costs).

## 2. Staff permanently employed by NHS trust B. Foundation trust A is being recharged by NHS trust B.

Type	<b>(2a) Gross for the employer (risks and rewards remain with NHS trust B – NHS trust B is the principal)</b>	<b>(2b) Net for the employer (risks and rewards passed to foundation trust A – the employer NHS trust B is the agent and does net accounting)</b>
Foundation trust A: income	Not applicable	Not applicable
Foundation trust A: expenditure	Record staff costs as 'other' against salaries and wages. As the transaction is with another WGA body, then transaction should have coding as 'business with NHS trust' and should be shown in that column.	Record staff costs as 'other' against salaries and wages. If net then all transactions would be classified as 'external to government'
Impact	NHS foundation trust A shows staff costs paid in respect of the individual, recorded as a WGA transaction.	NHS foundation trust A shows staff costs paid in respect of the individual, recorded as an external transaction.

Type	<b>(2a) Gross for the employer (risks and rewards remain with NHS trust B – NHS trust B is the principal)</b>	<b>(2b) Net for the employer (risks and rewards passed to foundation trust A – the employer NHS trust B is the agent and does net accounting)</b>
Equivalent for NHS trust B	NHS trust B will follow the same approach as foundation trust A did in scenario (1a) above. Record income in income note (in WGA column for 'business with foundation trusts'). Record total staff costs as permanently employed against salaries and wages as 'external to government'.	NHS trust B will follow the same approach as foundation trust A did in scenario (1b) above: Record total staff costs as permanently employed. Record in 'business external to government' with no WGA codes attached to transaction. Record income received from WGA body in respect of recharge in the employee benefits note. This uses the 'recoveries netted off expenditure' row in the employee benefits note. It would be classified as 'external to government'. Overall staff costs would show nil assuming the recharge amount was for full staff cost amount.
Transaction elimination for DHSC consolidation	Upon consolidation the income recorded by NHS trust B will be eliminated against the expenditure recorded by foundation trust A. The NHS trust B external staff costs will remain.	Upon consolidation, staff costs from NHS foundation trust A will remain. NHS trust B accounts will be already showing nil income and nil staff costs.

## Income and expenditure - admin and programme split

- 6.6 The DHSC consolidated supply estimate, which is voted on by Parliament, splits out administration (admin) and programme expenditure. DHSC is managed against these admin and programme control totals and the breaching of either could result in an excess vote accounts qualification and a public accounts committee hearing.
- 6.7 Prior to 2022 to 2023 for the AoB exercise, when agreeing income and expenditure balances, receivable and payable organisations were expected to not just agree the balance, but also agree the type as admin or programme.
- 6.8 From 1 April 2022 there is no longer a requirement for income and expenditure transactions to be reported as admin or programme for AoB purposes. All AoB mismatches will now be calculated and reported on a total transaction basis.
- 6.9 The admin or programme split will still be reported for consolidation purposes. That is, the consolidation schedules will still require an admin programme split in the income and expenditure notes in the main body of the schedules but just not on the agreement of balances tab.

## Hosted budgets

- 6.10 This section provides guidance where additional services are included within the individual body accounts and agreements, as the organisation is hosting or managing the budget, rather than simply providing a service on behalf of another organisation (hosted services). For guidance on how to treat services which are provided by one organisation on behalf of another, but do not include the balances in their individual body accounts, see [hosted services](#).
- 6.11 NHS organisations, including DHSC, may host services and budgets on behalf of other organisations. The agreement of payables and receivables, income and expenditure is then with the host or managing organisation where the budget for the service is also hosted. For example, if a trust hosts or manages a research network funded by DHSC, it needs to record the total payments received from DHSC as income and the payments that it makes to the other NHS organisations on behalf of the network as expenditure.

The risks include:

- how any surpluses are managed
- whether transactions are treated gross or net

Good practice would involve frequent sharing of information on hosted surpluses. However, a process is needed to co-ordinate any surpluses that cannot be managed internally by the host body.

## Hosted services (agency arrangements)

- 6.12 This section provides guidance where one agreement body is providing a transactional service on behalf of another agreement body but is not recording the balances within its own individual account. For guidance on how to treat the agreed balances for services where the agreement body includes balances within its own individual accounts and agreements, see ['Hosted budgets'](#).
- 6.13 NHS England has collected a list of hosted services where NHS England group organisations are host and or principal and services are being accounted for net. These are included in Annex 5 (issued separately to this guidance).
- 6.14 These are exceptions to the general principles specified [above](#). Where providers are party to these hosted service arrangements, they should include them in their income statements as being accounted for as net. This means that providers will record the transactions as being from the organisation on whose behalf the service is being hosted, rather than recording transactions with the hosting organisation.
- 6.15 There are a number of circumstances where organisations may be 'hosting' services or activities on behalf of other organisations. The relationship between the organisation hosting the service, and the organisation it is being provided for, can be considered that of agent and principal. In these instances, the agent body will not record any transactions in its financial statements or AoB submissions, but rather the principal, for whom the service is being hosted, will record in its financial statements and AoB.
- 6.16 Where the agent is completing transactions between two other AoB bodies, where one is the principal, the other is the third party, there shall be no transactions recorded against the agent. The principal and third party will

agree the balances between themselves because this reflects the underlying substance of the transaction.

- 6.17 A specific example of where an agency relationship does not exist is the research networks. The lead organisation should treat these as a hosted budget as outlined [hosted budgets](#)
- 6.18 Examples of such services with DHSC and NHS Business Services Authority can be seen in the following sections, and examples of how to record this can be seen in [section 7](#).

## Specialised commissioning

- 6.19 NHS England holds the national budget for specialised commissioning services. A commissioning hub within each region is responsible for commissioning these services on behalf of NHS England and acting as commissioner within their geographical area. For example, a Leeds patient attending a specialist London provider will be paid for by the London Region's Specialised Commissioning. NHS England also has a Central Specialised Commissioning Team, 13Q, which is a separate entity in AoB exercises. [Appendix 2](#) aligns the providers to the lead regions and [Appendix 3](#) lists the regions and which commissioning hubs form part of them.

## Secondary dental

- 6.20 Secondary dental services are invoiced on a population basis. The trust will invoice the NHS England region where the patient is resident (rather than where the treatment took place). Statements for secondary dental services should therefore be sent to the relevant NHS England region.

## IFRS 15: Revenue from contracts with customers

- 6.21 Following the implementation of IFRS 15, there may be an additional mismatch arising where income recognition may now be different to expenditure recognition. Although this scenario is unlikely, entities should identify how much of their mismatches relate to the application of IFRS 15 and agree the amount with the relevant counterparty. This mismatch should not be adjusted in either entities' returns and should not be resolved.
- 6.22 The overall mismatch between entities will continue to be reported on mismatch reports issued by national bodies and will therefore include the



impact of IFRS 15. Organisations may be asked to quantify the impact of IFRS 15 during the mismatches resolution process, so that the effect of these differences can be assessed separately to other mismatch types.

## **IFRS 16: Accounting for leases**

- 6.23 Following the implementation of IFRS 16 on 1 April 2022, transactions relating to leases will be reflected differently in the accounts of lessees and some sub-lessors.
- 6.24 From quarter 3 (month 9) the balances and transactions to be included for leases in the AoB process will be limited to those arising from invoices for leasing transactions. Invoices or accruals (due but not yet invoiced) for leasing activity should be included on statements, agreed and recorded on collection schedules as set out in [section 5](#).
- 6.25 Balances and transactions that have not been invoiced such as un-invoiced balance sheet items and non-cash income and expenditure items, are excluded from the process.
- 6.26 For receivables and payables any non-invoiced finance lease receivables and payables relating to **future** lease payments are now outside the scope of the agreements process.
- 6.27 For income and expenditure agreements, any ledger transactions which relate to invoiced or accrued (due but not yet invoiced) lease payments are included on statements and agreed. The value included should be the entire lease payment including any amounts that would be accounted for as principal. These amounts are included in the reconciliation to accounts data so should not be removed in the 'adjusted' column.
- 6.28 Detailed guidance accompanying collection forms will explain how the amounts subject to agreement, for leases, are reconciled to the accounts data.
- 6.29 NHS England will provide further guidance to NHS England group bodies for adjustments required for lease payments by counterparty and how these balances will impact AoB submissions at month 12.

## **Value added tax (VAT)**

- 6.30 When agreeing payable and receivable balances with other organisations, statements should include any VAT that was chargeable. This is because the whole amount of an invoice is either payable or receivable irrespective of whether an organisation can re-claim the VAT charged or not.
- 6.31 When agreeing income and expenditure, the amount included in income statements and agreed should be the net amount (that is excluding VAT) where the VAT is recoverable. Where the VAT is irrecoverable, the amount recorded by the payable organisation will include the VAT and a mismatch will be reported.

## **Deferred income**

This section applies to contract liabilities under IFRS 15, and non-contract deferred income and prepayments not subject to IFRS 15.

- 6.32 Under IFRS 15, unless contractual obligations are unfulfilled, revenue and the expenditure to which it relates is normally accounted for in the same period. It is not anticipated that NHS bodies should have significant levels of deferred income or prepayments with one another. Commissioners should not make payments in advance of need, especially when making payments close to the year-end, and should always agree payment plans to avoid significant deferred income balances accruing.
- 6.33 As budgets and drawdown funding are agreed in advance, receivable organisations may not be able to guarantee the return of such income in future financial years should it not be valid spend or warranted. It is also not acceptable for the commissioner to make payments where value has not been received, simply to avoid underspending.

## **Public Dividend Capital (PDC), loans, grant-in-aid, parliamentary funding, share capital and business rates**

- 6.34 All PDC and loan transactions are excluded from the AoB process as they are funding activities and not trading activities. Similarly, grant-in-aid, parliamentary funding, share capital and business rates are outside the scope of AoB.

- 6.35 Where trusts have incurred a PDC commitment fee, this will be an invoiced charge, and so should be picked up as a trading transaction for AoB purposes and included in intercompany transactions with core DHSC.

## Transfers under absorption accounting

- 6.36 Where there has been a transfer of functions in year, the receivable organisation will need to account for the transactions and balances that they received and hold at the year-end. However, the actual gain or loss recognised in respect of the transfer, shown on the Statement of Comprehensive Net Expenditure or Statement of Comprehensive Income, should not form part of the transactions agreed and reported for AoB exercise. The gain or loss on transfer of functions and assets is not a trading transaction and therefore does not fall within the scope of AoB.
- 6.37 As detailed in the DHSC GAM, NHS bodies should nevertheless agree the nature and value of the balances to be transferred (and the associated gain or loss) with the counterparty prior to the transfer to ensure that both parties record corresponding absorption accounting entries in their financial statements. It is essential that both parties agree exactly on the value, as all absorption transfers within the DHSC group should result in an equal and opposite gain or loss in the Statement of Comprehensive Net Expenditure or Statement of Comprehensive Income.

## Maternity pathway prepayment

- 6.38 Only systems operating the maternity pathway should apply the following guidance. Systems not operating the maternity pathway in the current financial year are expected to have no maternity pathway prepayments or deferred income at the year end.
- 6.39 Maternity pathways are within the scope of IFRS 15 and to ensure compliance from a commissioner or provider point of view, a review of chapter 4 Annex 10 of the DHSC GAM should be carried out. [Please see the DHSC group accounting manuals, which details the accounting guidance for the DHSC's group bodies](#)
- 6.40 Payment is currently made at the start of the pathway. If this pathway spans the year-end there is, in effect, a prepayment for the commissioner and deferred income for the provider.

- 6.41 The provider should be best placed to identify the stage that each pathway is at, and therefore calculate the accounting estimate. CCGs will want assurance to validate this amount and they should engage with the provider and be content with this amount.
- 6.42 It is expected therefore that the prepaid element of the maternity pathway will be included on the accruals statement at month 12. The items should be separately identified, the maternity pathway being a contract liability (deferred income from a provider's perspective).
- 6.43 Therefore, the correct accounting treatment for maternity pathway is for the provider to treat it as deferred income or payable and the commissioner to treat it as prepayment or receivable.
- 6.44 The payables and receivables balances submitted on the collection form for Q3 and Q4 should include these balances. If these balances are not exchanged between provider and commissioner at Q3 and Q4, the previous year's Q4 balances should be assumed.

## **Payments for low volume activity (LVA)**

- 6.45 From 1 April 2022, a revised process for commissioners and trusts has been implemented to streamline the financial processes for managing low volume activity (LVA) flows from commissioners to trusts in other systems.
- 6.46 LVA funding is allocated to each commissioner and payments are made by ICBs in line with a national payments schedule. No invoicing should take place outside of this payment. LVA payments are made in quarter 2 but relate to the full year. CCG and ICB allocations include 3 months and 9 months of LVA funding respectively. CCGs were required to accrue 3 months expenditure in closing accounts. Providers must split income accordingly between the ICB and predecessor CCGs. The LVA payments schedule available on provider portals sets out values for these relationships. This can be found in the archive folder for planning 2022 to 2023 in the additional documents section of the portal.

## **Non-contracted activity (NCA) accruals**

- 6.47 The revised process for LVA covers all clinical services (acute, mental health and community) provided by trusts with the exception of inpatient out-of-area placements for mental health services where these are directly arranged by commissioners. Trusts will invoice the relevant commissioner for these directly arranged placements.
- 6.48 For commissioners, it is expected that NCA accruals between commissioner and provider will be limited to inpatient out-of-area placements for mental health as outlined above. All other low volume activity is covered by LVA payments. If an NCA balance is included on a statement it should be included as either a notified amount or an accrual amount against the respective provider. There should be no 'general' NCA accrual recorded against NHS providers.
- 6.49 For providers, out of area placements for mental health services arranged directly by an ICB (or predecessor CCG) should always be attributed to the relevant commissioner. There will be no general NCA line included on the collection forms.

## **Contract penalties**

- 6.50 There may be circumstances at the year-end where contract penalties for non-performance or other penalties are anticipated. The payable and receivable organisations should have a shared agreement on the likelihood of these and appropriate accounting treatment within both their ledgers. The proposed accounting treatment should take account of the activity validation and contract reconciliation processes and associated timescales.

## **Pooled budgets**

- 6.51 There should be no balances arising from pooled budgets, because members of the pool only account for their own contributions and the pool has no existence as a separate body. Receivable and payable balances and income and expenditure are with the individual bodies in the pool, not the host body. Where a lead body holds cash contributions at year-end, each body will only account for its own share of the cash according to the terms of the pooled budget agreement.

## **Better Care Fund**

- 6.52 Organisations need to ensure that they have a clear understanding of their own and their counter-parties' accounting and reporting arrangements. This will make it easier for organisations to understand the transactions required for AoB purposes.
- 6.53 Agreements in place should ensure that Better Care Fund pool members and NHS providers are given on at least a quarterly basis and soon enough to be useful, statements that detail the underlying transactions with the appropriate pool member counterparty.
- 6.54 Organisations should also have referred to the agreements in place to ascertain how best to account for AoB entries. Organisations must be able to justify their treatment to Audit.
- 6.55 Detailed guidance is provided in chapter 4, Annex 8 of the GAM. A list of NHS England Better Care Fund services accounted for net can also be found within Annex 5 (circulated separately to this guidance). All parties (including providers) should scrutinise this list to ensure they are aware of any agreements accounted for net to ensure statements are sent to the correct party.

## **2022 to 2023 NHS standard contract payments**

- 6.56 For providers and commissioners, a simplified payments system remains in place for 2022 to 2023.
- 6.57 The primary method of payments from commissioners to providers continues to be via the ISFE invoice payment file or a payment request. While non-invoiced, these payments should be included on notified income statements once the payment has been received.

## **Negative balances**

- 6.58 A negative balance should be defined as a debit balance on accounts payable (AP) and a credit balance on accounts receivable (AR). These balances still require agreement during the R and P AoB process in accordance with the de minimis rules, and the AoB timetable.

- 6.59 IAS1 states that an entity should not offset income and expenditure unless the offsetting reflects the substance of the transaction. For example, if a credit note relates to an invoice on the ledger, it is correct that it remains on the AP side. However, if it does not relate to the transactions on that ledger or there is no longer any balance, it should be moved to the opposite ledger.
- 6.60 To avoid additional work at year-end, and during balance agreement, it is highly recommended (and good practice) that organisations clear these types of errant balances from the AP and AR ledgers throughout the year. Credit balances on AR usually arise by the issuing of a credit note for an invoice that has already been settled, or by the receipt of an over-payment being a higher value than the outstanding invoices. This should be repaid to the organisation that made the payment.
- 6.61 Debit balances on AP arise for the opposite and corresponding reason. The payable organisation's credit control department should be made aware of debit balances on the AP ledger, to incorporate them into a collection process, should repayment not be received from the originator.
- 6.62 The treatment of negative balances, and subsequent practices to clear the balances, applies equally to NHS and non-NHS organisations.

### **Additional guidance for credit notes**

- 6.63 Where a statement contains a credit note, the payable organisation must make additional checks to ensure that the correct action has been taken on its ledger with regards to the initial invoice. For example, to avoid situations where an invoice is disputed but a credit note for that invoice is accepted, organisations should ensure that the invoice being netted by the credit note is on their ledger, is outstanding, and has not been cancelled. This is to reduce the possibility that organisations do not benefit from credit notes that should not have been accepted.

### **Additional guidance for unallocated payments**

- 6.64 In anticipation of the AoB exercise, any unallocated payments should be investigated and cleared wherever possible prior to the AoB exercise. However, if this isn't achievable and it is included on the statement, the receivable organisation should be informed of the invoices and any additional relevant information that the payment covers. If the reason for the payment can be identified, the 2 organisations should enter an adjustment to

reduce the balance and only transfer the balance to the opposite ledger if it cannot be accepted as an expected payment.

## **Allowances for expected credit losses**

- 6.65 Although an allowance for expected credit losses may be necessary for non-WGA bodies, with the possible exception of NHS foundation trusts, DHSC bodies are not normally expected to make such allowances for WGA bodies, especially organisations within DHSC's boundary. Even within the NHS foundation trust sector, the raising of intra-group expected credit loss allowances is strongly discouraged.
- 6.66 When issuing statements showing receivables balances, receivable organisations are reminded that the full debt outstanding should be included. This should then be recorded unadjusted (subject to amendments to errors) in the notified column of the data collection form.

## **Other provisions**

- 6.67 Provision expenditure is an accounting estimate and therefore not a trading balance. Such expenditure and related provisions balances do not form part of the AoB process. Expenditure recorded in relation to a provision made in-year should be included as 'external to government' in consolidation schedules.

## **Charitable funds**

- 6.68 NHS charitable funds (whether consolidated under IFRS10 or not) do not participate in the AoB exercise. AoB data collection forms should therefore be completed excluding charitable funds.

## **Research, grant and other non-invoiced income**

- 6.69 There are circumstances where an organisation does not send an invoice in relation to income received, for example grant income. However, it is important that this income is included in the AoB exercise to ensure that all relevant transactions are included. When recording grant income on statements it is important to record as much information as possible, and to separately record individual transactions so that the payable organisation can easily agree transactions. Additionally, un-invoiced income should be



accrued so that the accounts reflect the true financial position and that transactions are shown in the correct year, avoiding unnecessary mismatches.

## **Recording transactions in the correct year**

6.70 There are occasions when 2 organisations reflect transactions in different years, and this causes a mismatch. As it is necessary that the AoB data matches the accounts data, this is difficult to resolve and can result in an irresolvable mismatch. It is important, therefore, that all organisations accrue for goods and services in the correct year, in order that these types of mismatches are eliminated going forward. A mismatch relating to the accrued income and expenditure position at the year-end is likely to lead to the same mismatch in the opposite direction in the following year. This situation can be avoided by agreeing the original year-end position.

## **Donation of equipment and inventories in response to coronavirus (COVID-19)**

6.71 Please note that transactions relating to items donated to group bodies as part of the coronavirus (COVID-19) response will continue to be excluded from the AoB process for 2022 to 2023.

# 7. Agreeing balances - recording sub-entity transactions

## Balances with NHS England

7.1 NHS England operates as 9 sub-entities for AoB purposes: a core central team, 7 regions, and one central specialised team as follows:

- core central team (CBA033)
- 7 regions (incorporating its own specialised commissioning hub):
  - London region (Y56)
  - South West region (Y58)
  - South East region (Y59)
  - Midlands region (Y60)
  - East of England region (Y61)
  - North West region (Y62)
  - North East Yorkshire region (Y63)
- central specialised team (13Q)

[Appendix 3](#) lists these sub-entities and includes mappings from specialised commissioning hubs to regions to assist. Contacts for all NHS England sub-entities are provided on the AoB contact list, which is circulated via the national bodies.

The above sub-entities, plus 4 CSUs, make up the NHS England parent.

7.2 Where NHS England core, region or 13Q is the payable organisation:

1. As in previous years, the NHS England sub-entities are treated as separate organisations for AoB purposes and each completes the AoB process as if it were a separate 'organisation'.
2. Receivable organisations should, as in previous years, ensure they send separate statements to each NHS England sub-entity.

3. If receivable ledger systems are not configured to support the issuing of statements automatically to the individual NHS England sub-entities separately, receivable organisations will need to produce and issue the statements manually and prevent any automatic issue of statements from their ledger. Receivable organisations are requested to identify on the statement what relates to specialised commissioning this will assist all parties in agreeing balances.
4. If statements are sent to the incorrect NHS England sub-entity, this could result in entries on the statement being adjusted, causing mismatches across the AoB exercise.
5. In addition to Appendix 3, providers should refer to Appendix 1 (which sets out services commissioned by each NHS England region) and Appendix 2 (which sets out the lead NHS England region for each specialised commissioning provider).
6. There are a small number of services that should be invoiced (and statements sent) to the NHS England core team (CBA033). This will be for specific programmes and secondments of staff within NHS England, for example:
  - individual agreements relating to service provision for example IT, premises
  - contractual agreements for example National Ambulance Resilience Unit, National Clinical Audits

Please note this list specifically excludes clinical excellence awards as these invoices are not agreed by NHS England core central team. These must be agreed with the relevant NHS England region.

7. Receivable organisations must not use the NHS England core team as a default entity. Invoices for healthcare are not expected to be included on statements addressed to the NHS England core team (unless the invoice relates to a healthcare service where it has been established as an NHS England centrally procured service). If an NHS England sub-entity does not recognise an invoice entry on the statement it receives and is unable to resolve with the counterparty, it should adjust that entry on its response to the receivable organisation, stating “invoice not recognised by this NHS England sub-entity”. Conversely, if an NHS England group entity is expecting an invoice to be included on a receivable statement and it is missing, they should adjust for this on the response to the receivable organisation (and provide the invoice number). This will also improve subsequent exercises as receivable organisations will be aware of where entries on statements may have been sent to the incorrect sub-entity.

- 7.3 Where NHS England core, region or 13Q is the receivable organisation Payable organisations should use CBA033 for the entity code for all NHS England payables and expenditure, as the process is coordinated and managed by the NHS England central team.
- 7.4 Providers should note that statements to ICBs should be sent directly to the relevant ICB.
- 7.5 NHSE appendices can be found at the end of this document:

[Appendix 1](#) – NHS England region to commissioned service matrix

[Appendix 2](#) – NHS England Region specialised services to provider matrix

[Appendix 3](#) – NHS England sub-entities - core, regions, and CSUs codes - with notes concerning specialised commissioning to assist)

[Appendix 4](#) – gross and net accounting and hosted services guidance

[Appendix 5](#) – CCG to ICB Matrix

## **Balances with organisations which ceased or commenced during the year**

### **Changes to NHS England group bodies and NHS Improvement in year**

- 7.6 On 1 July 2022 integrated care boards (ICBs) were established and clinical commissioning groups (CCGs) and London Shared Services (ODJ) were abolished as they were absorbed into their local ICBs.
- 7.7 Also on 1 July 2022 the functions of Monitor and NHS Trust Development Authority (TDA) were transferred to NHS England.
- 7.8 The principles to be followed are the same as those for part-year foundation trusts and transfer of provider services.
- 7.9 The change in status of these demising organisations will be marked on data collection forms.
- 7.10 Any income and expenditure from 1 April 2022 to 30 June 2022 should be recorded against the predecessor body, and for 1 July 2022 onwards against the new organisation.

- 7.11 The payable and receivable balances transferred to the new organisations on 1 July 2022. All payable and receivable balances are now recorded against the new organisation (whether or not generated or issued prior to the transfer date).
- 7.12 An income and expenditure AoB exercise covering the above changes was undertaken at 2022 to 2023 Q1 (month 3). All further income and expenditure agreements, for Q3 and Q4, will be with the new organisations and cover the income and expenditure transactions from 1 July 2022.

## **NHS Digital**

- 7.13 NHS Digital (HIC033) demised on 1 February 2023 and became part of NHS England.
- 7.14 Any income and expenditure from 1 April 2022 to 31 January 2023 should be recorded against NHS Digital, and for 1 February 2023 onwards against NHS England.
- 7.15 The payable and receivable balances transferred to NHS England on 1 February 2023. All payable and receivable balances are now recorded against NHS England (CBA033) (whether or not generated or issued prior to the transfer date).

## **NHS Supply Chain**

- 7.16 Transactions in respect of NHS Supply Chain should be reported as follows:
- report against HSA033 (UK Health Security Agency) where the invoices are prefixed with the numbers 901 or 91 (pandemic flu), 902 or 92 (vaccines) and 903 or 93 (emergency preparedness EPRR)
  - invoices prefixed with the numbers 101 or 11, 201 or 21, 904 or 94 and 905 or 95 relate to consumables, maintenance or capital. These transactions are to be reported as external to government (EXTGOV) and should not be included as part of the AoB exercise
- 7.17 As part of the agreements process, DHSC and UKHSA will include relevant invoices on their statements. If the balance is not relevant to the agreements process it will not be included on a statement. All other NHS Supply Chain balances should be treated as with a non-WGA body, under external to government in the accounts.

- 7.18 Transactions and balances to be recorded against and agreed with Supply Chain Coordination Limited (SCCL) as part of the AoB process should only include transactions relating to the SCCL entity and nothing related to the NHS Supply Chain.

## **Balances with other bodies**

- 7.19 There are a number of relationships and transactions undertaken by organisations within the DHSC group that have historically caused issues:

## **EHIC Incentive Scheme (also known as GHIC, Global Health Insurance Card)**

- 7.20 In January 2021, the UK introduced the Global Health Insurance Card (GHIC) which is the new UK card that replaced EHICs, although it was agreed as part of the agreement with the EU that legacy EHIC will continue to be accepted (as GHICs) until their expiry date. According to the same provision of the agreement with the EU, the UK accepts EHICs issued by member states to evidence someone's eligibility to access NHS care while on a short-term visit in the UK, and the trusts who provide that healthcare continue to be able to claim the EHIC incentive payment from NHSBSA.
- 7.21 Prior to September 2019, DWP paid EHIC Incentives Scheme on behalf of DHSC and transactions were recorded against DHSC.
- 7.22 For queries regarding payments prior to September 2019, please contact DWP on [OHT.overseasvisitorsteam@dwp.gov.uk](mailto:OHT.overseasvisitorsteam@dwp.gov.uk)
- 7.23 These payments are now administered by BSA from September 2019. All transactions will continue to be recorded against DHSC. Future queries on transactions post September 2019 should be directed to [NHSBSA.OVMQUERIES@NHS.NET](mailto:NHSBSA.OVMQUERIES@NHS.NET).

## **National ambulance resilience unit**

- 7.24 Funding for the national ambulance resilience unit passes through the West Midlands Ambulance Service (WMAS). See [appendix 4 hosted services](#) for how this should be treated in agreements.

## **Research networks**

7.25 The lead organisation should account for the research network in full and include any research network balances and transactions between the network and the network members within the AoB exercise. DHSC will account for its transactions and balances with the lead organisations. The research network contracts signed with lead organisations to host the networks included a requirement to account for and manage the funds and therefore the lead organisations are acting as more than just a payment agent and therefore this arrangement does not meet the definition of an agency relationship and the transactions cannot be treated net.

## **Areas to be excluded**

### **Injury benefits**

7.26 These are the payments of injury benefits to individuals injured at work, which is done centrally through a DHSC contract with Xfinity, to reduce the cost of each organisation separately setting up arrangements for the payment of injury benefits. However, because DHSC is acting merely as a payment agent on behalf of NHS organisations, the substance of the transaction is really the payment of individuals, outside the accounting boundary, and therefore this arrangement is not within the AoB process. All injury benefit transactions and balances should be treated as 'external to government'.

### **Hospital prescribing prescription pricing authority**

7.27 Also known as FP10s, the NHS BSA invoices other agreement bodies to recover costs it has incurred in reimbursing third parties for prescription charges. In this arrangement, the NHS BSA is providing a service to DHSC who in turn is acting as an agent on behalf of all agreement bodies whom it invoices, as the bodies are not required to make payment directly to the third party, the agreement bodies are the principals in this arrangement. Therefore, costs incurred should not be recorded against NHS BSA or DHSC but treated the same as any other external (non-WGA) balance.

### **Defence costs under liabilities to third parties scheme (LTPS)**

7.28 NHS Resolution acts as a payment agent on behalf of NHS providers and the panel firms by collecting and passing on payments in relation to the defence costs for the LTPS. The principals to the transaction are the NHS providers and the panel firms with NHS Resolution acting only as an agent.

Panel firms are external to government and therefore outside the scope of AoB. As such, income and expenditure for LTPS should not be included within AoB. Receivables and payables in respect of amounts due but not yet paid should be recorded against the host, NHS Resolution.

## **Balances with NHS Business Services Authority (NHS BSA)**

- 7.29 NHS BSA carries out a number of services on behalf of the DHSC group. Some of these services could be considered as hosted services, others as hosted budgets, such as electronic staff records.

## **Maternity Incentive Scheme (MIS)**

- 7.30 The Maternity Incentive Scheme (MIS) supports the delivery of safer maternity care through the inclusion of an incentive element to contributions to the clinical negligence scheme for trusts (CNST). Where a trust has successfully demonstrated compliance against the 10 safety actions, it will recover its element of CNST contribution that went into the maternity incentive fund, plus a share of any unallocated funds. Trusts unable to evidence sufficient compliance with the 10 actions may be able to recover a lesser sum from the fund.
- 7.31 As NHS Resolution is not deemed a customer in this arrangement, the monies received from the scheme are considered out of scope of IFRS 15. Trusts should offset the receipt of monies under the MIS against their CNST contributions. Therefore, for AoB purposes, Trusts should record the net amount of CNST contributions in expenditure against NHS Resolution (that is the total CNST contributions less any MIS receipts). Accordingly, there should be no separate entries in income relating to MIS receipts.
- 7.32 Any monies received or paid in excess of CNST contributions must be recognised in the year that the monies are received, or payment made, these funds should never be accrued.

## **NHS Property Services**

- 7.33 When agreeing payable and receivable balances with NHS Property Services, invoices should include VAT. This is because the whole amount of an invoice is either payable or receivable irrespective of whether an organisation can re-claim the VAT or not. When agreeing income and expenditure, the amount agreed and recorded should be the net amount (excluding VAT) where the VAT is recoverable.



## **Nursing and Midwifery Council**

- 7.34 A line is included within the 'other group bodies' category in the data collection forms for organisations to include balances against Nursing and Midwifery Council (NMC033). However, as an independent regulator, it will not be taking part in the agreements exercise.

## **UK Health Security Agency (UKHSA)**

- 7.35 The UK Health Security Agency was formed on 1 April 2021 as an executive agency of DHSC and became operational on 1 October 2021. This agency is responsible for health protection functions and test and trace operations and there should be no transactions or balances with the predecessor bodies for these activities in 2022 to 2023.

## **Medicines and Healthcare products Regulatory Agency (MHP033)**

- 7.36 From 1 April 2022 MHRA's trading fund status was revoked. MHRA is now an executive agency which will be consolidated into the DHSC group accounts.
- 7.37 As a result of this change MHRA will now participate in the AoB exercises and take part in agreement of balances for 2022 to 2023.

## **Wiltshire Health and Care**

- 7.38 Wiltshire Health and Care is a joint venture between 3 NHS FTs. This is in the DHSC departmental group and any transactions with this organisation should be recorded against organisational code AXG within the 'other group bodies' category.

## **NHS Resolution**

### **NHS bodies including provisions as a payable with NHS Resolution (NHSR)**

- 7.39 NHSR provides its members with various reports at year-end, of which one relates to the Risk Pooling Scheme for Trusts (RPST) provisions it holds in relation to its members. NHS bodies are required to include a total provision as at 31 March for their estimated liability on each claim as at that date. NHS bodies should not be including the liability as a payable to NHSR as the

payments to be incurred in the future are not payments that are ultimately payable to NHSR.

### **NHS bodies excluding direct debits from their analysis of income and expenditure**

- 7.40 Where an NHS body pays the NHSR contributions via direct debit, the NHSR raises and sends invoices that match to each direct debit or a sum of the direct debits taken. The total expenditure value that NHS bodies should be including within the AoB exercise should reconcile to the total value of contributions including paid and unpaid, irrespective of the method of payment. NHS bodies should include all contribution expenditure with the NHSR irrespective of whether an invoice is posted to the purchase ledger or not.
- 7.41 Additionally, expenditure is incurred against NHSR on a monthly basis, rather than in one lump sum. Payable organisations should therefore apportion the expenditure across the financial year, recording one twelfth of the total payments to be made for each month. As an example, the payable organisation would be expected to show expenditure of three-quarters of the total due to NHSR at Q3.

### **Part-year NHS foundation trusts**

- 7.42 When accounting for gross income and expenditure categorisation on the data collection forms, the recording of the income and expenditure changes from trust to foundation trust after the date of status change. Any income and expenditure before this date should be recorded against the NHS trust (goods and services from other NHS bodies), and any after this date against the foundation trust (goods and services from foundation trusts). It is very important that commissioners split AoB income and expenditure between the period the counterparty was an NHS trust and when it was an NHS foundation trust. Failure to do so leads to mismatches on all sides of the transaction and contributes to the overall gross mismatch.
- 7.43 On the date of change, the trust will be required to 'hard close' the ceasing organisation's financial accounts and ledgers. At this point income and expenditure should be agreed between all parties concerned, and that agreed balance should form the basis of the data collection at future quarters throughout the year. The trust position struck at closedown will not alter, as all future income and expenditure transactions will be recorded against the foundation trust.

- 7.44 The payable and receivable position should be agreed at hard close, but upon change of status, those payables and receivables will transfer to the newly formed foundation trust for future agreements. There will be no longer any trust balances, they will become foundation trust balances.
- 7.45 From this date all payable and receivable balances will be recorded against the foundation trust, whether or not generated or issued prior to authorisation date, as balances will have transferred to the new organisation. This may necessitate re-coding of the primary AP and AR ledger to ensure the new supplier or customer has foundation trust categorisation.

## **Reorganisation of providers involving transfer of services**

- 7.46 Where a provider demises in year and services transfer to another provider, the change in status will be marked on collection forms. Individual scenarios will differ, and bodies should follow specific guidance issued in relation to those transactions regarding contact details and the recording of balances.

## **Subsidiaries**

- 7.47 Subsidiaries of NHS bodies do not participate in the AoB exercise. However, where a subsidiary of an NHS body provides goods or services to other NHS bodies, the subsidiary's income should be recorded within its parent body's income, which in turn forms part of the AoB exercise. The (parent) NHS body should therefore include any of the subsidiary's income on income statements sent out as part of the AoB exercise, making it clear on the statement that the counterparty is in effect trading with the NHS body for agreement of balances purposes.
- 7.48 The counterparty should record any expenditure with the subsidiary as being with the (parent) NHS body.
- 7.49 AoB collection forms should be completed with subsidiaries' transactions and balances included in the parent NHS body's total transactions and balances.

## **Example**

Organisation A foundation trust (Org A) provides £300,000 of services to Organisation B (Org B) trust. Org A also has a wholly owned subsidiary that provides £60,000 of services to Org B. For AoB purposes, Org A should record £360,000 of income on its income statement, clearly marking up the £60,000 of services that

were provided by its subsidiary. Org A should also record £360,000 of income against Org B on its AoB form, and Org B should record £360,000 of expenditure against Org A.

## 8. Mismatch reports and resubmissions - (Q3 and Q4 only)

- 8.1 On receipt of the data collection forms, the DHSC finance team imports the balances into the accounts consolidation system for all DHSC group bodies. This allows comparison of the balances submitted by each organisation. The receivables balance submitted by one organisation is compared against the payables balance recorded by the partner agreement body. If they agreed their balances, there will be no mismatches between organisations. Where mismatches exist, the system generates the mismatch report which is then sent to organisations via their respective national bodies, and to ALBs by DHSC.
- 8.2 The DHSC mismatch report is designed to assist payable and receivable organisations to resolve mismatches in the total balances submitted on the data collection forms. Mismatch reports consist of 2 worksheets which show the same information in 2 formats (purely presentational) and show differences between the notified, adjusted, accrued and disputed amounts.
- 8.3 The mismatch resolution de minimis is defined depending on the total mismatch across the DHSC group, and the action that would be required to reduce the group mismatch to an acceptable level. Therefore, tolerances will vary between exercises, as will the requirements for resubmission.
- 8.4 While DHSC recognises that it may not be possible to resolve all mismatches where disputes or differences in estimation occur, the total mismatch must be reduced to zero wherever possible.
- 8.5 After the issue of mismatch reports, the timetable may include an opportunity to resubmit balances. It is an opportunity for agreement bodies to update their balances where differences have been resolved since the previous agreement deadline. Prior to the resubmission deadline, bodies should attempt the following:
- **notified mismatches** – both organisations should have the same notified balance, being the same as the statement issued (or income under £10,000, where no statement is issued). The receivable organisation should lead in resolving the problems
  - **accruals mismatches** – where a difference arises due to an accrued transaction or balance, both parties should attempt to make contact with the

counterparty in an attempt to reconcile and resolve the difference. A separate date is included in the Q4 timetable by which discussions regarding accruals should be completed (albeit organisation's balances in their Accrued column should always equal the accruals in their ledger). Mismatches arising as a result contribute towards the overall mismatch and DHSC will follow up large discrepancies in this area

- **adjusted mismatches** – where adjustments do not match, and do not equal the balances not agreed to prior to the deadline, the receivable organisation should request details of the additional balances. Updates should be made by the payable organisations where balances that could not previously be agreed to now can be
- **disputed mismatches** – where the payable organisation has disputed balances, it is likely that these will not have been resolved. Receivable organisations should contact the payable organisation where the dispute was not known about. If a dispute is accepted by the receivable organisation, both bodies may move the item to the adjustment column, meaning both bodies are in agreement

8.6 It is recognised that it may not be possible for all mismatches to be resolved for various reasons. Every effort must be made by AoB organisations to ensure that the balances submitted match, through discussion prior to and during the AoB exercise. Where it is not possible for these mismatches to be resolved (for example a disputed balance that has been escalated) it is important that the reason for the difference is recorded and submitted via the available free-text boxes on the data collection forms where applicable.

8.7 Other unknown mismatches should still be investigated to ensure that incorrect assumptions for the cause of the mismatches are not made.

## 9. Resolution of mismatches

- 9.1 To ensure the balances incorporated into the DHSC consolidated annual report and accounts are accurate, and that the overall misstatement is as low as possible, it is important to make sure that any mismatches are resolved at the Q2 and Q3 agreement exercises, so that as little as possible needs to be resolved in the Q4 AoB exercise at year end.
- 9.2 As it is the absolute difference that contributes to the level of uncertainty regarding the potential misstatement of the DHSC consolidated account, it does not matter who is not agreeing the balance, whether it is the receivable or payable (or income or expenditure), which has the higher overall total. It is the absolute difference contributing to the misstatement.





## **Annex 2 – Whole of Government Account – agreeing and recording balances**

As a government department, DHSC is required to submit details of its consolidated account to HM Treasury, which is then consolidated into a Whole of Government Account. Part of this process requires the identification and elimination of balances arising between DHSC and other government departments.

To accurately record these in the data submission, details of transactions between the departmental group and the other entities under government control are requested and collected alongside the AoB data.

Any queries arising from this part of the guidance should be directed to [WGA-agreements@dhsc.gov.uk](mailto:WGA-agreements@dhsc.gov.uk).

### **Whole of Government Accounts balance agreement process**

An agreement exercise takes place each year after the year end cut-off date, usually between April and June. Like the AoB exercise, the WGA agreements are led by the receivable organisation (provider under the WGA guidance), and it is up to the payable organisation (purchaser) to confirm whether the balances are correct.

Full guidance can be found at [Whole of Government Accounts 2021 to 2022: guidance for preparers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/whole-of-government-accounts-2021-to-2022-guidance-for-preparers) and is usually updated in March (guidance for 2022 to 2023 is yet to be published). Chapter 2 of the guidance for central government covers the balance agreement in more detail, however the key points are summarised below.

Agreement thresholds: as a minimum, executive agencies, NDPBs and special health authorities (SpHA) are required to agree receivables and income balances over £5 million via the HM Treasury standard agreement form (CG01) and respond to any requests to agree payables and expenditure over this amount.

NHS providers and other group bodies not yet mentioned are not required to agree balances but must disclose all balances on the AoB collection forms in line with the guidance below.

**The table below summarises the requirements by sector:**

Reporting and agreement requirements	CCGs/ICBs	NHS providers	SpHA, NDPBs and other bodies
Agreement (see note 1)	Not applicable	Not applicable	over £5 million (see note 2)
Reporting	All	All	All (see note 2)

## **Exempt entities**

Certain other entities under WGA are exempt from agreement. Therefore, where balances are above the agreement threshold with any of the following groups of bodies, agreement is not required:

- HMRC IRT813 (in relation to tax and duties)
- national insurance funds
- academies
- local authorities
- other public corporations
- minor bodies as defined in agreement with HM Treasury and listed in Appendix 1 of the HMT Treasury WGA guidance (transactions with minor bodies should be treated as if they are with external bodies).

Balances with these entities still need to be disclosed on the collection forms.

## **Reporting WGA balances**

Alongside the list of group bodies that form the internal AoB of balances discussions, there is a list of entities required for WGA disclosure. This list is reviewed and updated by the DHSC WGA team. The AoB list does not include all of the WGA entities as some entities that are part of a government department and have not been allocated a unique WGA code. If group bodies have transactions with entities they believe are within the boundary of WGA but are not in the AoB list, they should refer to the latest 'WGA counter-party identifier (CPID) List' on the Gov.uk website. This will indicate which entity the transaction should be recorded under on the AoB

list by cross referencing the WGA CPID code to the AoB list. If you believe that an entity is missing, then please contact the WGA Team to discuss further.

The entities are split into the following sectors:

- non-consolidated NHS bodies which are considered public corporations (NHS Blood and Transplant, Medicines and Healthcare Regulatory Agency (Note 3))
- local authorities (further split into England, Northern Ireland, Scotland and Wales)
- public corporations
- other WGA entities, including central government departments and devolved administrations (including Welsh, Scottish and Northern Irish health bodies)

All balances, whether subject to agreement or not, should be recorded in these sectors, split by receivables, payables, income and expenditure. The codes for these entities are aligned to the codes setup by HM Treasury on their collection forms and system.

Business rates are outside the scope of WGA and as such it is not necessary to record these on the AoB tab against the specific organisation.

In some cases, DHSC is required to map balances to specific entity codes, based on how the account balance is allocated. Therefore, please allocate the following balances to these specific entity codes:

**NHP903:** Pensions expenditure incurred with NHS Pensions, and relevant receivables or payables. Expenditure should equal the balance included under the staff costs line plus any termination benefits costs incurred with NHS pensions.

**PCS901:** All relevant pensions expenditure, receivables and payables due to the Civil Service Pensions Scheme.

**IRT813:**

Receivables - relating to VAT, other tax and social security receivable from HMRC.

Payables - relating to VAT, other tax and social security payable to HMRC. Pay as you Earn (PAYE) and income tax deducted from employee's salary should be included under payables if it is still due to be transferred to HMRC and should not be included within the expenditure figure as it is an expense incurred by the employee.

Expenditure - relating to social security costs, corporation tax, other taxation incurred with HMRC and the apprenticeship levy.

Income – there is not expected to be any income from HMRC.

**NIF822:** Balances should not be allocated to NIF822 National Insurance Funds.

**HMR041:** Non taxation balances incurred as a trading transaction should be recorded against this code, not IRT813.

**NLF888:** all short-term investment balances held with the National Loans Fund at year end should be recorded under receivables (the balance should equal the total of deposits disclosed elsewhere on the forms), along with interest receivable on the investment not yet paid over. Interest gained during the year on investments should be recorded under income.

Note 1 – Where both parties have a balance below this threshold, agreement is not mandatory, but can be completed if both parties are happy to complete.

Note 2 – public corporations are also exempt from agreement and therefore these thresholds do not apply to public corporations.

Note 3 - Medicines and Healthcare Regulatory Agency (MHP033) has changed status on 1 April 2022. For the financial year 2021 to 2022 MHP033 transactions will be recorded under WGA as a non-consolidated NHS body, with no agreement necessary. For the Financial Year 2022 to 2023 onwards MHP033 transactions will be recorded under AoB as a consolidated executive agency of DHSC and will be subject to agreement.

## Annex 3 : agreement examples

### Example 1 - negative adjustments

If a payable organisation does not agree to the total or part of the invoiced amount included on the statement from the receivable organisation or the statement includes invoice(s) which have been raised against the incorrect counterparty (but the amount has not yet been formally disputed), the correct treatment is to include the whole statement value in the Notified column and adjust the balance in the adjusted column of the data collection form.

For example: Organisation B (the payable organisation) receives a statement from Organisation A (the receivable organisation) for £70,000. Org B accepts it owes £65,000 to Org A. Org B's AoB submission would look as follows:

Organisation B - Payable organisation AoB form		Payables £000				
		Notified	Accrued	Adjusted	Disputed	Total
	<b>Maincodes</b>	7300010 [None]	7300020 [None]	7300030 [None]	7300040 [None]	7300099 [None]
<b>Org Code</b>	<b>Org Name</b>	↑		↑		
DOH033	Organisation A (receivable org)	70		(5)	-	65

In the payable organisation's (Org B) AoB submission:

The full amount on Org A's statement is shown in the notified column. The amount shown in the adjusted column is the amount that Org B does not believe is payable. This could be because they have not received the goods or services, or they have been incorrectly invoiced.

### Example 2 – positive adjustment

A positive adjustment may be recorded where the receivable organisation gives late notification of an invoice or notifies that the balance previously included on the statement was too low. These adjustments may subsequently cancel out if they cannot be approved. A positive adjustment may also occur due to invoices appearing on your own reports that were not included within the statement you have received but which you still have as outstanding.

Organisation B - Payable organisation AoB form		Payables £000				
		Notified	Accrued	Adjusted	Disputed	Total
	Maincodes	7300010	7300020	7300030	7300040	7300099
Org Code	Org Name	[None]	[None]	[None]	[None]	[None]
DOH033	Organisation A (receivable org)	70		5	-	75

In the payable organisation's (Org B) AoB submission:

The full amount on Org A's statement is shown in the Notified column.

The amount shown in the adjusted column is the amount that Org B does not believe is payable. This is the amount that Org A has informed Org B that they have mistakenly missed off their statement

Organisation A - Receivable organisation AoB form		Receivables £000			
		Notified	Accrued	Adjusted	Total
	Maincodes	7400010	7400020	7400030	7400099
Org Code	Org Name	[None]	[None]	[None]	[None]
DOH033	Organisation B (Payable org)	70	-	5	75

In the receivable organisation's AOB submission:

The full amount on the statements Org B sent is shown in the notified column.

The amount shown in the adjusted column is the amount that Org B has informed Org A that they have mistakenly missed off their statement.

### Example 3 - disputes

A disputed balance can only be recorded by a payable organisation, and only where it is or will be formally disputing an invoice(s). Therefore, disputed invoices will always create a mismatch between the payable and receivable organisation. Whilst this is an acceptable reason for mismatch, organisations should actively manage the resolution of disputes to keep the level of mismatches to a minimum. Figures in respect of disputes are always negative.

Therefore, the following entries would be included by the payable organisation only:

Organisation B - Payable organisation AoB form		Payables £000				
		Notified	Accrued	Adjusted	Disputed	Total
	Maincodes	7300010 [None]	7300020 [None]	7300030 [None]	7300040 [None]	7300099 [None]
Org Code	Org Name					
DOH033	Organisation A (receivable org)	↑ 70			↑ (20)	50

In the payable organisation's (Org B) AoB submission

The full amount on the statement received from Org A is included in the notified column.

The value of the disputed invoice (only) is input as a negative figure in the disputed column to reduce the total amount.

### Example 4 – future invoices

However, if invoices relating solely to future periods are included on receivables statements, they should be clearly marked as relating to a future period. Wherever possible, it should be made clear that the receivable organisation will be deducting any amount relating to future invoices in the adjusted column (to remove it from receivables), and the payable organisation should do the same in the adjusted column (to remove the item from payables).

## **Annex 4 - Role of the Department of Health and Social Care and other bodies**

### **The role of the Department of Health and Social Care (DHSC)**

The DHSC plays a dual role within the AoB exercise. It exists as both an agreement body within the DHSC accounting group, and as the parent entity, is also responsible for coordinating the AoB exercise and for the elimination and consolidation of the agreed transactions and balances in to the DHSC annual report and accounts.

### **DHSC as an agreement body**

As well as being a funding body, the DHSC undertakes significant trading with other consolidating bodies. Therefore, the DHSC needs to participate in the agreement exercises to agree its own balances. The volume of intra-group transactions undertaken by the DHSC means that it needs to seek agreement with over 400 of the consolidating entities within the accounting boundary.

The DHSC AoB team deal solely with the agreement of transactions and balances with counterparties. The team does not have any control over the payment or approval of invoices, and as such, queries around payment should be addressed to the relevant contact in DHSC (such as the person who raised or was in receipt of the invoice). DHSC accounts payable and accounts receivable contacts are specified separately in the AoB contact lists.

### **DHSC as a parent organisation**

As the parent (lead) organisation in an accounting group, DHSC has a responsibility to produce a consolidated account, with accurate eliminations between consolidating entities. To enable DHSC to prepare the eliminations, it has responsibility for:

- setting and communicating the timetable – including dates for issuing invoices and statements, balance agreements and submission dates
- issuing mismatch reports – detailing mismatches between group bodies
- setting tolerances for balance agreements – depending on the overall level of mismatch
- providing guidance – on how the exercises should work, and on specific accounting treatments



## **Other organisations performing a dual role**

NHS Improvement and NHS England have a data collection role that allows the production of a consolidated account. As part of the consolidation NHS Improvement and NHS England complete intra-group eliminations. Consolidated sets of accounting data are then provided to DHSC for inclusion in the group consolidation.

As part of this, national bodies also require AoB data, which is submitted to them in advance for their local review. This allows each national body to resolve any significant data issues prior to the DHSC collection deadline.

National bodies also have a role in producing the AoB timetable, and in issuing guidance to assist in the completion of the exercise.

## **Annex 5: NHSE hosted services accounted for using net accounting, and Better Care Funds accounted for using net accounting**

Please refer to Annex 5 separately circulated.

# NHS England appendices



## Appendix 1: NHS England group matrix of direct commissioning

NHS England - region	Region code	Primary care and secondary dental	Public health	Health and justice	Armed forces
NHS England - London region	Y56	Yes	Yes	Yes	No
NHS England - South West region	Y58	Yes	Yes	Yes	Yes
NHS England - South East region	Y59	See note 1	Yes	Yes	No
NHS England - Midlands region	Y60	Yes	Yes	Yes	No
NHS England - East of England region	Y61	Yes	Yes	Yes	No
NHS England - North West region	Y62	See note 2	Yes	Yes	No
NHS England - North East and Yorkshire region	Y63	Yes	Yes	Yes	No

Note 1 - In the South East (Y59) all pharmacy, ophthalmic and dental services have been delegated to ICBs from 1 July 2022.

Note 2 - In the North West (Y62) all pharmacy services have been delegated to ICBs, alongside ophthalmic and dental services for NHS Greater Manchester ICB (QOP) only from 1 July 2022.

## **Appendix 2: NHS England Region specialised services to provider matrix**

Appendix 2 – due to its length, document now separately published [on .GOV on the DHSC agreement of balances: accounting group page](#)

### Appendix 3: NHS England sub-entities (core, regions, (specialised commissioning) and CSUs) codes and profile class

ICP entity	Name	Profile class/description	Notes
CBA033	NHS England - Core Central team	NHS England - Core Central team	Used for:  - organisations' receivables and income (NHSE payables and expenditure) with NHS England Core only  - organisations' payables and expenditure (NHSE receivables and income) with all NHS England Core, regions and 13Q
Y56	NHS England - London Region	NHS England - Region	Receivable organisations should use Y56 for receivables and income from London Region including London specialised commissioning
Y58	NHS England - South West Region	NHS England - Region	Receivable organisations should use Y58 for receivables and income from South West Region, including South West specialised commissioning
Y59	NHS England - South East Region	NHS England - Region	Receivable organisations should use Y59 for receivables and income from South East Region including South East specialised commissioning
Y60	NHS England - Midlands Region	NHS England - Region	Receivable organisations should use Y60 for receivables and income from Midlands Region including Midlands specialised commissioning

ICP entity	Name	Profile class/description	Notes
Y61	NHS England - East of England Region	NHS England - Region	Receivable organisations should use Y61 for East of England Region including East of England specialised commissioning
Y62	NHS England - North West Region	NHS England - Region	Receivable organisations should use Y62 for receivables and income from North West Region, including North West specialised commissioning
Y63	NHS England - North East and Yorkshire Region	NHS England - Region	Receivable organisations should use Y63 for receivables and income from North East and Yorkshire Region, including North East and Yorkshire specialised commissioning
13Q	NHS England - Central Specialised Commissioning	NHS England - Specialised Commissioning Hub	Receivable organisations should use 13Q for receivables and income from NHS England Central Specialised Commissioning
0AR	NHS North of England CSU	NHS England - Commissioning Support Unit	No change
0CX	NHS Midlands and Lancashire CSU	NHS England - Commissioning Support Unit	No change
0DE	NHS Arden and Greater East Manchester CSU	NHS England - Commissioning Support Unit	No change
0DF	NHS South, Central and West CSU	NHS England - Commissioning Support Unit	No change
0DJ	NHS London Shared Services (previously NEL CSU)	NHS England - Commissioning Support Unit	Ceased on 30 June 2022. Therefore, will have I&E for period 1 April to 30 June 2022 only, and no R&P in 2022 to 2023

## **Appendix 4: gross and net accounting and hosted services guidance**

### **Revenue recognition, gross and net accounting and hosted services**

The overarching principle is that transactions should be accounted for in accordance with accounting standards, with all treatments having been agreed by all parties.

Before considering whether gross or net accounting is appropriate bodies must first consider IFRS 15 Revenue from Contracts with Customers. The standard describes revenue as:

“The increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreasing liabilities that result in an increase in equity, other than these relating to contributions from equity participants”.

An entity shall apply the standard to all contracts with customers, except for the following:

- a) lease contracts within the scope of IAS 17 (IFRS 16 from April 2022)
- b) insurance contracts within the scope of IFRS 4
- c) financial instruments and other contractual rights and obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures
- d) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers

The core principals of IFRS 15 follow a five-step process for revenue recognition: -

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 states that “an entity will recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services”.

## **Principal verses agent consideration**

IFRS 15 includes more detail compared to the previous standard on principal vs agent and goes on to state “When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (the entity is a principal) or to arrange for those goods or services to be provided by the other party (the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others.”

**Once revenue recognition has been considered, organisations should then consider the appropriateness of gross or net accounting.**

Organisations are reminded that the DHSC group accounting manual 2021 to 22 states that: "The overarching principle is that transactions must be accounted for in accordance with the accounting standards, with all treatments having been agreed by both parties. Generally, this means revenue income and expenditure must be recorded gross unless one party is acting solely as an agent". ([Section 4](#))

**An entity** is a principal if it controls the specified good or service before that good or service is transferred to the customer.

**An organisation** is an agent if the organisation's performance obligation is to arrange for the provision of the specified good or service by another party. An entity that is an agent does not control the specified good or service provided by another party.

For example, in the case of a staff recharge, if the member of staff concerned is off sick for a period of time, if the employing organisation would need to supply someone else to the receiving organisation, then the risks of employment have not been transferred. The employing organisation should use gross accounting. Alternatively, for example, if no substitute employee would be provided and the receiving organisation would continue to pay, this may indicate that the employing organisation has transferred the risk and should use net accounting. This is one factor amongst many, and each circumstance should be assessed individually and agreed between both parties while remaining in line with the principles of IFRS 15.

### **IFRS 15 further criteria**

IFRS 15 further sets out the following criteria that, individually or in a combination, indicate that an entity is acting as a principal. They are as follows:

- the entity has the primary responsibility for providing the goods or services to customer or for fulfilling the order
- the entity has an inventory risk before or after the customer, during the shipping or on return
- the entity has latitude in establishing prices either directly or indirectly

If all parties involved in the arrangement agree net accounting is appropriate, and is in accordance with accounting standards, then the net accounting may be used.

With regards to sending of statements where net accounting is appropriate, in the case of staff recharges, the receivable organisation will send a receivables statement (where applicable) to the payable organisation (but not an income statement as this is classed as a non-income item) (see example 2 in the attachment below). The 'substance' of the transaction in example 2 is payroll which wouldn't ordinarily form part of agreement of balances or attract an Analysis 2 code.

In the case of hosted services (example 3 in the attachment below), the receivable organisation will send a receivables statement (where applicable) to the payable organisation (but not an income statement as this is classed as a non-income item). However, in the case of example 3, the 'substance' of the transaction is expenditure with foundation trusts (FTs). FT income and expenditure does form part of the agreement of balances and attracts an analysis 2 code. The FT will send income statements, but as it is also a party to the hosted service arrangement; the FT will send income statements correctly to all principals included in the agreement (for their share of the agreement) rather than to the agent alone.



It is recognised that, within NHS England, there are instances where net accounting is appropriate and is agreed. Annex 5 of the agreement of balances guidance sets out where NHS England has hosted services which are being accounted for on a net basis. This list is updated prior to each agreement of balances exercise.

At all times it is vital that the parties involved assess each individual situation in line with the principles of IFRS 15 and determine whether gross or net accounting is appropriate. Once the accounting treatment has been determined, and all parties agree (including any foundation trust or NHS trust), the agreement should be documented and auditable. All parties should follow the appropriate coding conventions (see examples below) to enable consolidation to take place and minimise the level of gross mismatches in the agreement of balances income and expenditure exercise.

## Attachment to NHSE Appendix 4

### Example 1 - Salary recharge accounted for gross (default position)

ICB3 pays £20 for a member of staff and then raises an invoice to ICB4 for a salary recharge of £10

Transaction	DR or CR	Entity	Subjective	I and E Statement of Financial Position (SoFP)	Analysis 2	Amount	Comments
Payroll entry in originating ICB	DR	ICB3	Salaries and wages (various - feeder file entry from payroll feeder)	income and expenditure	Default	20	this is the original salary payment by ICB3
Payroll entry in originating ICB	CR	ICB3	Cash	SoFP	Default	-20	this is the original salary payment by ICB3
ICB raises recharge to ICB4	DR	ICB3	18161038 - Trade receivables NHSE-ICB accruals	SoFP	ICB4	10	final entry after recoding the system code

ICB raises recharge to ICB4	CR	ICB3	44811094 - Gross recoveries in respect of employee benefits - salaries and wages	income and expenditure	ICB4	-7	Maps to income as transaction is to be shown gross
ICB raises recharge to ICB4	CR	ICB3	44811095 - Gross recoveries in respect of employee benefits - social security	income and expenditure	ICB4	-2	Maps to income as transaction is to be shown gross
ICB raises recharge to ICB4	CR	ICB3	44811096 - Gross recoveries in respect of employee benefits - Employer Cont.	income and expenditure	ICB4	-1	Maps to income as transaction is to be shown gross
Recognition of the charge from ICB3	DR	ICB4	51111001 - Seconded staff - Basic salary	income and expenditure	ICB3	7	Maps to other as these are not employees of the ICB4

Recognition of the charge from ICB3	DR	ICB4	51112001 - Secoded UK Staff - Employers Social Security	income and expenditure	ICB3	2	Maps to other as these are not employees of the ICB4
Recognition of the charge from ICB3	DR	ICB4	51113001 - Secoded UK staff - Employers pension costs	income and expenditure	ICB3	1	Maps to other as these are not employees of the ICB4
Recognition of the charge from ICB3	CR	ICB4	26172017 - Trade payables NHSE-ICB accruals	SoFP	ICB3	-10	final entry after recoding the system code

ICB4 should receive a receivable statement from ICB3 of £10

ICB4 should receive an income statement from ICB3 of £10

Any mismatches will be reported on inter mismatch reports as A2 codes are used

## Example 2 - Salary recharge accounted for Net

ICB1 pays £10 for a member of staff and then raises an invoice for a salary recharge of £5

Transaction	DR or CR	Entity	Subjective	I and E Statement of Financial Position (SoFP)	Analysis 2	Amount	Comments
Payroll entry in originating ICB	DR	ICB1	Salaries and wages (various - feeder file entry from payroll feeder)	income and expenditure	Default	10	this is the original salary payment by ICB1
Payroll entry in originating ICB	CR	ICB1	Cash	SoFP	Default	-10	this is the original salary payment by ICB1
ICB1 raises recharge to ICB2	DR	ICB1	18161038 - Trade receivables NHSE-ICB accruals	SoFP	ICB2	5	final entry after recoding the system code

ICB1 raises recharge to ICB2	CR	ICB1	51111091 - Permanent UK staff - Basic salary - recharges to-from other NHS	income and expenditure	Default	-3	Maps to pay expenditure as transaction is to be shown net
ICB1 raises recharge to ICB2	CR	ICB1	51112091 - Permanent UK staff - Social security - recharges to-from other NHS	income and expenditure	Default	-1	Maps to pay expenditure as transaction is to be shown net
ICB1 raises recharge to ICB2	CR	ICB1	51113091 - Permanent UK staff - Pension Costs - recharges to-from other NHS	income and expenditure	Default	-1	Maps to pay expenditure as transaction is to be shown net

Recognition of charge in ICB2	DR	ICB2	51111091 - Permanent UK staff - Basic salary - recharges to-from other NHS	income and expenditure	Default	3	Maps to pay. Substance is employee of ICB1
Recognition of charge in ICB2	DR	ICB2	51112091 - Permanent UK staff - Social security - recharges to-from other NHS	income and expenditure	Default	1	Maps to pay. Substance is employee of ICB1
Recognition of charge in ICB2	DR	ICB2	51113091 - Permanent UK staff - Pension Costs - recharges to-from other NHS	income and expenditure	Default	1	Maps to pay. Substance is employee of ICB1
Recognition of charge in ICB2	CR	ICB2	26172017 - Trade payables NHSE-ICB accruals	SoFP	ICB1	-5	final entry after recoding the system code

ICB2 should receive a receivable statement from ICB1 of £5

Mismatches will be excluded from inter income and expenditure mismatch reports as A2 codes are not used in income and expenditure. Mismatches will be included on SoFP inter mismatch reports as A2 codes are used.

### Example 3 - Hosted service accounted for net

**ICB1 is the agent for a hosted arrangement for the provision of nursing assessments to ICB2 and ICB3. An FT invoices for the service to ICB but is party to the net arrangement with ICB2 and ICB3**

Transaction	DR or CR	Entity	Subjective	I and E Statement of Financial Position (SoFP)	Analysis 2	Amount	Comments
Receipt of FT invoice by ICB1	DR	ICB1	Expenditure with FT (various e.g. 52161050)	income and expenditure	FT1	90	this is the original invoice payment by ICB1
Receipt of FT invoice by ICB1	CR	ICB1	Cash OR wherever the APTB or non PO is recorded depending on status of inv	SoFP	FT1	-90	this is the original invoice payment by ICB1



Recharge raised by ICB1 to ICB2 and ICB3	DR	ICB1	18161038 - Trade receivables NHSE-ICB accruals	SoFP	ICB2	30	final entry after recoding the system code
Recharge raised by ICB1 to ICB2 and ICB3	DR	ICB1	18161038 - Trade receivables NHSE-ICB accruals	SoFP	ICB3	30	final entry after recoding the system code
Recharge raised by ICB1 to ICB2 and ICB3	CR	ICB1	52241009 - Purchase of goods and services - Recharge provided	income and expenditure	ICB2	-30	will net to nil, Analysis 2 code automatically generated on raising of invoice (See note 1)
Recharge raised by ICB1 to ICB2 and ICB3	CR	ICB1	52241009 - Purchase of goods and services - Recharge provided	income and expenditure	ICB3	-30	will net to nil, Analysis 2 code automatically generated on raising of invoice (See note 1)

Recode ICB2 and ICB3 share to FT	DR	ICB1	52241009 - Purchase of goods and services - Recharge provided	income and expenditure	ICB2	30	Journal to net to nil (See note 2)
Recode ICB2 and ICB3 share to FT	DR	ICB1	52241009 - Purchase of goods and services - Recharge provided	income and expenditure	ICB3	30	Journal to net to nil (See note 2)
Recode ICB2 and ICB3 share to FT	CR	ICB1	Expenditure with FT (various, such as 52161050)	income and expenditure	FT1	-60	to remove FT expenditure to show transaction net
Recognition of charge in ICB2 account	DR	ICB2	52241008 - Purchase of goods and services - Recharge received	income and expenditure	ICB1	30	will net to nil, Analysis 2 code automatically generated on payment of invoice (See note 1)
Recognition of charge in ICB2 account	CR	ICB2	26172017 - Trade payables NHSE-ICB accruals	SoFP	ICB1	-30	final entry after recoding the system code

Recode to reflect transaction with FT	DR	ICB2	Expenditure with FT (various, such as 52161050)	income and expenditure	FT1	30	to reflect the substance of expenditure with FT
Recode to reflect transaction with FT	CR	ICB2	52241008 - Purchase of goods and services - Recharge received	income and expenditure	ICB1	-30	Journal to net to nil (See note 2)
Recognition of charge in ICB2 account	DR	ICB3	52241008 - Purchase of goods and services - Recharge received	income and expenditure	ICB1	30	will net to nil, Analysis 2 code automatically generated on payment of invoice (See note 1)
Recognition of charge in ICB2 account	CR	ICB3	26172017 - Trade payables NHSE-ICB accruals	SoFP	ICB1	-30	final entry after recoding the system code
Recode to reflect transaction with FT	DR	ICB3	Expenditure with FT (various, such as 52161050)	income and expenditure	FT1	30	to reflect the substance of expenditure with FT

Recode to reflect transaction with FT	CR	ICB3	52241008 - Purchase of goods and services - Recharge received	income and expenditure	ICB1	-30	Journal to net to nil (See note 2)
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Notes:

The same transactions would be accounted for by ICB3 as those in ICB2 they have charged to the FT1's analysis 2 code.

ICB1 will receive a receivables statement from FT1 for £90

ICB2 will receive a receivables statement from ICB1 for £30

ICB3 will receive a receivables statement from ICB1 for £30

Note 1. These items assume the default A2 codes remain on the transaction when raising and paying the invoice.

Note 2. These items are therefore required to reverse the items per Note 1 and the balance then nets to nil.

Note 3. If the entries per Note 1 and Note 2 do not eliminate then the ICB and the Group accounts will be incorrect.

Parties could (in theory) change the system default codes (orange entries) at source from the default code to (as is the example 3), to the FT A2 codes to avoid transacting the yellow journal entries.

The 'substance' of the transaction must have the overall impact of (in the case of example 3) 30 expenditure (and coded to the FT A2 code) in ICB1, ICB2 and ICB3. This will then result in successful consolidation.

The recharge received and provided subjective are used to complete consolidation. If the entries highlighted in orange and yellow do not eliminate then the ICB accounts and Group accounts will be incorrect.

Although the transactions will be included on the inter mismatch reports for income and expenditure they should net to a nil balance if the coding above is followed. Mismatches will be included on SoFP inter mismatch reports as A2 codes are used.

## **Appendix 5: CCG to ICB matrix**

Appendix 5 – due to its length, the document is separately published [on .GOV on the DHSC agreement of balances: accounting group page](#)

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