NHS trusts and foundation trusts

Trust Accounts Consolidation (TAC) schedules: Completion instructions month 12 2020/21

March 2021

NHS England and NHS Improvement

To: NHS trust and NHS foundation trust finance teams

NHS England and NHS Improvement
Skipton House
80 London Road
London SE1 6LH

E: provider.accounts@improvement.nhs.uk

March 2021

Dear Colleagues

This document accompanies the release of the Trust Accounts Consolidation (TAC) schedules for month 12 2020/21.

There have been no changes to the TACs since they were issued as a standalone illustrative file earlier in March with the exception of additional rows are now included on TAC07 and TAC08 for donated equipment from NHSE for the pandemic response below the capitalisation threshold. These rows were previously hidden so cell locations have not changed. Changes to this document since the version issued to accompany the month 12 illustrative TACs on 9 March are shown in red text. There are no significant updates since 9 March to draw to your attention.

The main things you need to be aware of for month 12 2020/21 are summarised in chapter 2 of this document. This includes a number of key updates since month 9.

A full list of the changes since month 9 can be found in annex 2a. As well as explaining changes since month 9, this document retains the guidance provided at month 9 on changes from the 2019/20 M12 form: a full list is included in annex 2b. In the template, rows and tables are coloured purple where there is a new requirement compared to 2019/20. As explained in chapter 2, for this year end we are also using orange and olive green colouring for new rows and columns for donations relating to the coronavirus pandemic response for ease of identification. As usual, red text is used to highlight a changed requirement in an existing row.

If we can help, or you'd like to provide feedback, please get in touch. Details are in section 1.

Yours sincerely

Provider Financial Accounting team
NHS Improvement

Contents

1. Introduction

1.1. TAC schedules and PFR form

NHS Improvement will prepare consolidated provider accounts using the information provided by providers in the Trust Accounts Consolidation (TAC) schedules. NHS Improvement will also prepare a consolidation return on a specific basis for inclusion within the Department of Health and Social Care (DHSC)'s group accounts.

The TAC schedules are included alongside the standard monthly monitoring tabs in the Provider Finance Return (PFR) form at months 9 and 12. Standing guidance on the monthly monitoring tabs is issued separately in order to give continuity with other months of the year. If this is your first time completing the form, please refer to the Information tab before you start to complete the form: this explains what the colours mean for different types of cell.

We recommend the following overall approach to completing the PFR form:

1. Complete the TAC tabs:
    a. Review prior year comparatives
    b. Update prior year comparatives for any material prior year errors. Analyse any such changes on TAC33.
    c. If you have any transfers by absorption on 1 April, it's a good idea to complete these first on TAC30 (see chapter 5).
    d. Complete the rest of the TAC schedules to achieve a balancing set of accounts, including any other absorption transfers. If you consolidate a charity, leave this out for now.
2. Check the TAC validations and TAC JoCs to ensure that you have an accurate data set.
3. If applicable, consolidate your charity into the TAC tabs (see section 3.2 and chapter 6) and re-check the TAC validations and JoCs.
4. The monthly monitoring tabs are then fed from the TAC tabs wherever possible. Review the monthly monitoring tabs and complete missing information.
5. ~~Add in updated forecast outturn (FOT) information to the monthly monitoring tabs~~. [Not required at M12, with the exception of tab '18. Capital Funding' and the PDC table on tab '13. SOCI Other' which are FOT only]

At month 12 we issue optional accounts templates which are linked to the M12 TAC schedules. The accounts templates remain optional and do not form part of an accounts direction to NHS trusts or foundation trusts.

1.2. Timetable and submission

We issued our 2020/21 year end timetable letter on 15 January. The letter can be found at https://www.england.nhs.uk/financial-accounting-and-reporting/financial-reporting/#Timetable2020-21

As detailed in our timetable letter, providers have an option to request an extended year end timetable. Any providers wishing to apply for this should have done so by email to Provider.Accounts@improvement.nhs.uk by 19 March.

For providers following the extended timetable arrangements, dates of expected submissions were confirmed by email and have been populated on the cover of your month 12 PFR form.

For providers not working to extended timetable arrangements, the month 12 PFR form (incorporating the TAC schedules) submission dates are:

- 27 April 2021 (full M12 submission including agreement of balances (AoB) data) noon
- 11 May 2021 (resubmission of AoB data) noon
- 15 June 2021 (full M12 submission including AoB data) noon

Please refer to the timetable for full details of the requirements of each submission.

The Cover sheet of the PFR file contains the agreed month 12 submission dates for your Trust.

IMPORTANT – BREAKING LINKS

All links to other workbooks must be broken before the PFR form is submitted to NHS Improvement. The protection in the PFR form means it is not possible to use the 'edit links' option within Excel to break all the links. Providers should use the 'break links' button on the cover.

1.3. Supporting guidance and further information

Please refer to the following sources of guidance:

- The Department of Health and Social Care Group Accounting Manual 2020/21 (GAM) provides detailed accounting guidance for NHS trusts and foundation trusts, and annual report guidance for NHS trusts
- The Foundation Trust Annual Reporting Manual provides annual report guidance and accounts directions for NHS foundation trusts
- The DHSC Agreement of Balances Guidance is applicable to all bodies in the DHSC group.
- Additional guidance was provided in 2018/19 to help providers understand the disclosure requirements of IFRS 7 (upon adoption of IFRS 9) and IFRS 15 and the approach taken in the TAC schedules. This guidance from 2018/19 continues to be available here.

We will post any relevant updates to our webpage at https://www.england.nhs.uk/financial-accounting-and-reporting/financial-reporting/.If there are any fixers to be issued for the PFR file, finance contacts will be alerted by email when the fixer is available in the 'additional documents' section of portals. If we are aware of issues where a fixer has not yet been issued, we will post an update on the Financial Reporting webpage: you may find it helpful to check this page if you have a problem with the form.

If you have any queries on the TAC schedules, please contact the Provider Financial Accounting team at Provider.Accounts@improvement.nhs.uk.

2. Areas to note in TAC schedules 2020/21

2.1. Key issues

Sections in this chapter which are new since month 9 are identified as **New** in the section title.

2.1.1. IFRS 16 Leases

IFRS 16 implementation has been further deferred for NHS and health bodies with a new effective date of 1 April 2022. Future implementation is expected to have a material impact on most NHS providers. Disclosure of the expected future impact of the standard under IAS 8 (para 30) will still be required in 2020/21 accounts. Providers should discuss with their auditors whether or not quantification of the future impact is reasonably estimable in light of the deferral, the pandemic response and the trust's specific circumstances.

In 2020/21 providers are only be required to enter quantified future impacts in the TAC schedules if these have been disclosed locally in accounts.

2.1.2. NHS pension scheme employer pension contributions (TAC09) – no changes from 2019/20 arrangements

The employer contribution rate for NHS pensions increased from 14.38% to 20.68% from 1 April 2019. For 2020/21, employers have continued to pay contributions at the former rate with the additional amount, in the case of NHS providers, being paid on the organisation's behalf by NHS England. The additional 6.3% pension contribution should be recognised as notional expenditure together with notional income at month 12 only. In line with 2019/20 arrangements these figures will be provided centrally and validated in month 12 returns. The figures will be based on month 10 pension contribution data from NHS Business Services Authority, extrapolated to a full year. Please apportion this figure between permanently employed and other categories accordingly. If significant changes have occurred at the provider in the final two months of the year such that this extrapolated figure is significantly incorrect, providers should contact the provider accounts team.

Providers will have received details of their 6.3% estimate for 2020/21 alongside the standalone TACs on 9 March (email from provider accounts).

2.1.3. Maturity of financial liabilities (Note 36.5, TAC27)

Note 36.5 on TAC27 replaces the previous maturity analysis for financial liabilities. Previously the analysis was validated against book values. However IFRS 7 paragraph B11D, requires this analysis to be based on undiscounted future contractual cash flows (ie. gross liabilities including future finance charges).

Note 36.5 Maturity of financial liabilities		Undiscounted futu							
		A27CY01	A27CY16	A27CY17	A27CY18	A27CY19	A27CY20	A27CY21	A27CY22
This table replaces the previous maturity analysis for financial liabilities. Previously this analysis has been performed on book values. However IFRS 7 (para B11D) requires this analysis to be based on undiscounted future contractual cash flow (ie gross liabilities including finance charges). Restatement of the prior year is required. Further guidance can be found in the TAC completion instructions.	Expected sign	Total 31 Mar 2021 £000	PFI & finance lease 31 Mar 2021 £000	DHSC loans 31 Mar 2021 £000	Trade & other payables: DHSC group bodies 31 Mar 2021 £000	Trade & other payables: other bodies 31 Mar 2021 £000	Provisions (financial liabilities) 31 Mar 2021 £000	Other borrowings / financial liabilities 31 Mar 2021 £000	Charitable fund financial liabilities 31 Mar 2021 £000
Financial liabilities fall due in:				i	i	i		i	
In one year or less	+	0	0						
In more than one year but not more than five years	+	0	0						
In more than five years	+	0	0						
Total financial liabilities	+	0	0	0	0	0	0	0	0

The analysis is now split by class of financial instrument (columns) to aid preparation and validation. This level of disaggregation is unlikely to be required in accounts. The maturity periods (rows) have been reduced to match those already used elsewhere in the TACs to reduce duplication of work.

PFI and finance lease liabilities - The maturity of PFI and finance lease liabilities are automatically populated from TAC24 and TAC21 where gross commitments are already entered.

DHSC loans - Future undiscounted cash flows on DHSC loans should include all future interest payments. This information should be available in loan repayment schedules. Checks beneath the table require gross DHSC loan commitments in this note to exceed the book values in TAC21. Due to changes to the finance regime in April 2020, if your comparative loan balance contains only interim loans, the check instead expects the gross value to equal the book value as no further interest accrued. If normal course of business loans are nearing the end of their repayment term such that future interest charges are less than £1k, entering a decimal in this note to exceed the book value will pass the validation.

Trade and other payables - Most providers do not have significant non-current trade and other payables. Unless interest is payable on outstanding trade payables, undiscounted future cash flows are likely to equal book values. A check beneath the table requires this analysis to at least equal to the book value disclosed in the book value tables above (split by DHSC group and external).

Provisions that are financial liabilities – As the HM Treasury provisions discount rates are on occasion negative, undiscounted future cash flows in relation to provisions that meet the definition of a financial liability may be less than the carrying value. The check on this column therefore only checks that a cash flow has not been omitted where a book value has been disclosed in the tables above.

Other borrowings and other financial liabilities – Only a small number of providers have liabilities in these classes. This is therefore an aggregate of both classes. Checks ensure the undiscounted future cash flows are at least equal to the book values in the notes above.

Consolidated charitable funds – this remains a separate class of financial liabilities to enable us to deconsolidate charitable funds before reporting to the Department of Health and Social Care. Checks on this column also ensure undiscounted future cash flows are at least equal to the book values in the notes above.

2.1.4. Annual leave accrual (Note 24.1, TAC20)

A new row had been added to current trade and other payables, note (24.1) on TAC20 to collect annual leave accrual balances. Trusts should separately record the annual leave accrual, irrespective of value and not aggregate this with other payable balances.

The prior year comparative should also be revisited to separately identify the opening balance. If the trust does not record an annual leave accrual on the basis of materiality please explain this in JoC checks 30 and 31.

Providers are reminded that annual leave accruals recognised under IAS 19 must be recognised in payables on TAC20 and not within the provisions note on TAC22. Employee benefits under IAS 19 are specifically excluded from the scope of IAS 37, and there is no uncertainty in the value or timing of accrued annual leave.

2.1.5. Income from patient care activities (by nature) (Note 1.1, TAC06) – New at M12

The analysis of income from patient care services (by nature) in note 1.1 of the TAC forms has been updated to reflect the current nature of contracting arrangements:

- For acute services, the previous split by service type has been removed and a new row for block contract / system envelope income has been added.
- For mental health services the previous split between block contact and cost / volume has been removed and a new row for block contract / system envelope income has been added.
- For community services, a previous row for income from CCGs and NHS England has been replaced with a row for block contract / system envelope income.
- There is no change for ambulance service income.

The revised analysis also applies to comparatives. Comparatives should be recorded on the row in which the equivalent current year income stream is recorded. This mainly affects acute providers where much of the income previously recorded as ‘other NHS clinical income’ (INC0210) is likely now included in the system envelope. Where that is the case, the relevant comparatives should be moved to the new row (INC0198). ‘Other NHS clinical income’ (INC0210) should now only relate to income streams for acute services outside of the block payments / system envelopes – this will include payments from other providers. These two comparative cells have been highlighted in bright green to remind all acute providers to revisit this split.

Comparatives for mental health and community services are not expected to be significantly impacted by this change.

These new rows should only be used for the portion of block contact / system envelopes that relate to the provision of patient care. The guidance in Chapter 2A should still be applied to reallocate income received as part of block payments for non-patient care services or other income streams to ‘other operating income’ prior to completing this note.

2.1.6. Centrally procured equipment for COVID response – New at M12

During 2020/21 DHSC and NHSE have centrally procured equipment to support the pandemic response which has been made available to providers free of charge. These items of equipment will be accounted for as donated assets by providers in 2020/21 accounts. Detailed guidance is provided in our 2020/21 year end accounting guidance. Please ensure this accounting guidance has been read before completing the TAC form: the detail in that guidance is not repeated here.

All rows and columns added to the TACs to record centrally procured equipment are coloured orange for ease of reference.

Recording donated equipment above the capitalisation threshold

The **donated additions** should be separately identified in the PPE movement note (Note 14.1) on TAC14. Dedicated rows have been added for donations from DHSC (PPE0085) and from NHSE (PPE0086). Providers must also record these donated additions in the capital schemes analysis on monthly monitoring tab 15 in the same manner as any other donated or grant funded addition. There will be no net charge to CDEL or capital envelopes from recognising these additions. The benefit associated with the receipt of these donated assets will automatically be populated into dedicated rows in other operating income.

Additions - donations of physical assets (non-cash)	+
Additions - equipment donated from DHSC for COVID response (non-cash)	+
Additions - equipment donated from NHSE for COVID response (non-cash)	+
Additions - assets purchased from cash donations/grants	+

Any **depreciation** or **impairments** charged on these assets in the year should be recognised in the PPE note as normal. In the analysis of depreciation and impairments (Table 14C) on TAC14, additional columns have been added to separately identify depreciation and impairments charges related to these assets.

Table 14C Additional analysis of impairments and depreciation 2020/21			A14CY01	A14CY11	A14CY12	A14CY13	A14CY14	A14CY14A	A14CY14B	Maincode
For DHSC purposes only		Expected sign	Total (from impairments working table / Table 12A) 2020/21 £000	Owned assets 2020/21 £000	Finance leased assets 2020/21 £000	PFI / LIFT assets 2020/21 £000	Donated and government granted assets 2020/21 £000	Equipment donated from DHSC for COVID response 2020/21 £000	Equipment donated from NHSE for COVID response 2020/21 £000	Subcode
Impairments of PPE assets charged to opex (net of reversals) (excludes charitable fund assets) - DEL	i	+/-	0	0						PPE0460
Impairments of PPE assets charged to opex (net of reversals) (excludes charitable fund assets) - AME	i	+/-	0	0						PPE0470
Depreciation of PPE assets (excludes charitable fund assets)		+	0	0						PPE0480

The closing **net book value** of the assets should be separated out from other donated assets in the **financing analysis** of PPE in Note 14.3 on TAC14.

<u>Recording donated equipment below the capitalisation threshold</u>

Where equipment items are below the capitalisation threshold and the assets are not grouped, the cost of the donated items should be recognised directly in the dedicated rows in operating expenditure and the corresponding benefit recognised in other operating income.

2.1.7. Centrally procured Inventories (personal protective equipment) (Note 19, TAC17) – New at M12

Providers are required to recognise the benefit received from centrally procured personal protective equipment and the utilisation of those inventories at deemed cost. More detail is provided in our 2020/21 year end accounting guidance. Please ensure this accounting guidance has been read before completing the TAC form: the detail in that guidance is not repeated here.

All entries in relation to personal protective equipment received free of charge should be made in the inventories note on TAC17. From here, relevant figures in income (notional grant) and expenditure (utilisation and write downs) will be automatically populated. The I&E impact of any timing difference between the receipt and utilisation of these items will be excluded from adjusted financial performance so it is essential that these entries are recorded only in the dedicated column. All rows and columns added to the TACs for recording these inventory items are coloured olive green for ease of reference.

Note 19 Inventory movements - 2020/21		Expected sign	A17CY01 Total 2020/21 £000	A17CY02 Drugs 2020/21 £000	A17CY03 Consumables 2020/21 £000	A17CY03A Consumables donated from DHSC group bodies 2020/21 £000
Carrying value at 1 April 2020 - brought forward		+	0	0		0
At start of period for new FTs		+	0	0		0
Transfers by absorption		+/-	0	0		0
Additions (purchased)		+	0			
Additions (donated) - from DHSC	i	+	0			
Additions (donated) - from NHS provider (purchased by DHSC)	i	+	0			
Additions (donated) - from NHS provider (purchased by provider) (unlocked on request)	i	+	0			
Inventories consumed (recognised in expenses)	i	-	0			
Write-down of inventories recognised as an expense*		-	0			
Reversal of any write down of inventories		+	0			
Transfer (to) / from inventory work in progress		Nets to zero	0			
Other	i	+/-	0			
Movement in charitable funds inventories		+/-	0			
Transfer to FT upon authorisation		-	0	0		0
Carrying value at 31 March 2021		+	0	0		0
Of which:						
Held at lower of cost and NRV		+	0	0		0
Held at fair value less costs to sell		+	0			

Inventories received from DHSC

'Additions (donated) – from DHSC' is expected to match the value of stock communicated by DHSC in outbound stock statements. All providers are expected to recognise receipt of these inventories in full. To ensure that these inventory movements eliminate on consolidation, this entry cell will be validated. The validation will be activated by fixer in April once full year statements have been issued by the Department.

Inventories received from other providers

Some systems have transferred personal protective equipment between providers as part of the pandemic response. Items received under these arrangements should be recorded in one of the 'Additions (donated) – from NHS provider…' rows. These amounts will be eliminated in the consolidated provider accounts.

It is expected that most items transferring in this way will have originally been purchased by DHSC. However where originally purchased by the provider, this row can be unlocked on request for the recipient trust. Please email provider.accounts@improvement.nhs.uk.

Any additions recorded in these rows should be subsequently analysed in Table 19A according to the provider from whom the stocks were received. Entering the NHS Code of the provider in column F will populate the trust's name in column B.

Table 19A - breakdown of consumables donated from other NHS providers for pandemic response - 2020/21	Expected sign	A17CY03A1 NHS Code 2020/21 Text	A17CY03A2 Purchased by DHSC 2020/21 £000	A17CY03A3 Purchased by donating trust 2020/21 £000	Maincode Subcode
Please enter NHS code in column F	+				INV0200
Please enter NHS code in column F	+				INV0210
Please enter NHS code in column F	+				INV0220
Please enter NHS code in column F	+				INV0230
Please enter NHS code in column F	+				INV0240
Please enter NHS code in column F	+				INV0250
Total	+		0	0	INV0260

2.1.8. Nightingale hospital expenditure (Note 4.2, TAC08) – New at M12

All providers incurring expenditure in relation to Nightingale hospitals should complete this note in the TACs. This is a summary of the full year gross costs already provided in more detail on a monthly basis in the PFR return. A PFR validation ensures gross costs included here are consistent with tab 10a3.

2.1.9. Special payments over £95,000 (Note 42.1, TAC29) – New at M12

From 2020/21 details of individual special payments over £95,000 are required to be collected in TAC forms for DHSC. This replaces the previous analysis of special payments over £300,000. The prior year is not required to be re-analysed.

The accounts disclosure requirement is unchanged. The DHSC GAM still only requires details of losses or special payments over £300,000 to be disclosed. For losses, the TAC requirements are unchanged.

2.1.10. Recording balances against NHS England sub-components (TAC62)

From 2020/21 all expenditure and payables previously allocated to regional offices or regional specialised commissioning hubs should now be recorded against NHS England Core (CBA033). Income and receivables should continue to be allocated against regional offices. Commissioning support units are unaffected by this change.

Specialised commissioning hubs, with the exception of NHS England Central Specialised Commissioning Hub (13Q) have been merged within the 7 regions. Any income or receivables previously allocated to the regional hubs should now be recorded against regional offices.

2.1.11. Mental Health Provider Collaboratives

There are ten fast track provider collaboratives in 2020/21, where a lead provider will sub-contract mental health services in that area. The lead provider is a principal in the transaction, so will record gross income and expenditure, with the same gross treatment in agreement of balances.

No changes are being made in the TAC schedules in 2020/21. The lead provider is expected to record its sub-contracting expenditure in the 'purchase of healthcare' rows in TAC08. Both the lead provider and sub provider(s) will record patient care mental health income in TAC06. The necessary elimination transactions will then be performed for the consolidated provider accounts. For 2021/22 we are likely to add a specific row into the TAC expenditure note, breaking this out from purchase of healthcare.

For the lead provider, greater analysis is likely to be needed in the trust's own accounts, depending on materiality. This is likely to include an analysis in the operating segments note, and separation out from 'purchase of healthcare' in the operating expenses note. If a provider wishes to go further, such as analysing on the face of a primary statement, please discuss this with your auditor early: it's important that your accounts continue to comply with IAS 1 and other requirements. As always, trusts' accounts must be consistent with the TAC schedules: but this does not preclude there being greater (or lesser) analysis in the accounts.

2.1.12. Income classification guidance

Guidance on income classification for 2020/21 is provided in section 2A of this document.

2.2. Full list of changes

A full list of changes to the TAC schedules compared to month 9 and month 12 2019/20 are contained in annex 2a and annex 2b respectively.

Changes in the form compared to the 2019/20 form can also be identified within the template using the following conventions:

- Purple shading – indicates a column, row, table or sheet that is a new requirement. As explained in the sections above, for this year end we are also using orange and olive green row colouring for new rows and columns for donations relating to the coronavirus pandemic response for ease of identification.
- Red text – indicates a change in the requirement or definition of an existing row
- On TAC Validations and TAC JoCs, changes are marked as NEW or Amended in red text on the left-hand side.

2A. Income analysis in 2020/21

Allocating block payments between income from patient care activities and other operating income

Accounting principles and background

Income from both patient care activities and other operating activities is recognised as and when entities have satisfied performance obligations relating to that income, following the principles of IFRS 15. Other operating income also includes amounts recognised in accordance with other standards, such as government grants.

The classification of income between patient care activity and other operating activity is a function of both (1) which activities, performed by the trust, receipt of the income was dependent upon, and (2) what the income is intended to fund. In any year, the Department of Health and Social Care and NHS England and NHS Improvement determine the appropriate classification of items as a balance of these factors. As examples in previous years:

- In 2018/19, funding for the agenda for change pay award was not included in tariff and did not directly depend on patient care activity in that year. But it was tied to patient care activity more broadly, was part of the funding of patient care activity, and the classification of the income was not dependent on the delivery mechanism for these monies in a particular year: this was therefore treated as patient care activity income.

- In recent years, provider sustainability and financial recovery funding was classified as other operating income. The entitlement to this income was not directly linked to the treatment of patients and depended on other things, including the organisation’s financial performance.

Application to 2020/21

The principles explained above frame our thinking for 2020/21. There is an additional consideration: with two financial regimes for the first half (M1-6) and the second half (M7-12) of the financial year, items should be treated consistently in accounts analysis for the year, where the headline questions above have the same answer.

Income streams in the first half of the financial year (M1 – M6)

To simplify transaction flows, the bulk of providers’ income from commissioners was transmitted as part of **block payments**. The national starting point for computing these amounts was total transacting between providers and commissioners in month 9 2019/20 agreement of balances data as a monthly average. In plans issued by NHS England and NHS Improvement and therefore monitoring returns for the first part of the year, this block income was recorded as income from patient care activities. Some NHS trusts and NHS foundation trusts also provide non-patient care services to CCGs or NHS England or receive other forms of income such as PFI support. This income was all included in the block payment calculation.

From month 9, providers will be required to reallocate such amounts from patient care into the other operating income analysis where needed. This should be reflected in both year to date (YTD) (via TACs at month 9) and forecast outturn (FOT) positions. This will create a new variance from plan as a result of the reallocation. This reallocation can be separately identified in tab ‘40. Variances’ (columns J) and no further explanation will be required. The reallocation adjustment should net to nil.

Plans also included a **block projected top up** where block contract values and expected income from non-NHS sources were not sufficient to cover a provider’s underlying cost base. **Retrospective top-up** payments then provided further sums with a view to restore providers to a breakeven financial performance. This process recognised both gaps in providers’ income and additional expenditure caused by the pandemic. Both M1-M6 top ups are akin to provider sustainability and financial recovery funding under the previous financial regime. Applying this logic, these amounts are recognised as other operating income in providers’ accounts and financial returns. Trusts hosting **Nightingale** facilities should also refer to the additional paragraph below.

Income streams in the second half of the financial year (M7 – M12)

For the second half of the financial year, funding envelopes have been determined at system level. NHS England and NHS Improvement determined **system envelopes** to include base CCG allocations, growth funding, COVID-19 system level allocation, and a system top-up. This is not a complete list.

While these components were used to determine the calculation of system envelope, it is not intended that these components directly translate into separate income streams for providers. Within plan forms for M7-M12 providers should have allocated block payments between income from patient care activities and relevant items of other operating income based on the patient care and non-patient care services the trust would be providing. If this was not was not done at the plan stage, providers should reflect this classification in YTD and FOT.

Some specific costs for providers are funded outside of the envelopes through **reimbursement top-ups**, as detailed in the M7-M12 payments guidance. In a similar way to M1-6 top-ups explained above, these amounts are recognised as other operating income in providers’ accounts and financial returns. Trusts hosting

Nightingale facilities should also refer to the additional paragraph below.

Trusts hosting Nightingale hospital facilities (M1 – M12)

For trusts that host **Nightingale hospital facilities**, the relevant costs are funded through the retrospective top-up (M1-6) and reimbursement top-up (M7-12). The element that specifically relates to patient care may be disclosed as patient care income by providers in their statutory accounts. This inconsistency between TAC schedules and local accounts will be permitted at month 12, but total operating income must agree between the two. A memorandum box in the month 12 TAC schedules will collect this re-allocated amount to support the national accounts.

Analysis of income from patient care activities by nature

Note 1.1 on TAC06 analyses income from patient care activities by nature. Please refer to section 2.1.5 for detailed instructions on how to complete this revised analysis in the TAC forms.

This information is collected in TAC forms to meet the requirements of IFRS 15, paragraph 114 in the consolidated provider accounts. Providers may choose to disclose additional analyses of income in their accounts to meet the requirements of the standard locally.

At a high level, the analysis remains one of the nature of the services provided (acute, mental health, etc). As in any year it is not an analysis of conditions treated, so there are no specific rows for COVID-19. In the second half of the financial year, COVID-19 funding forms part of system envelopes and should be disclosed as such. As explained above, funding relating to COVID-19 also covers the broader costs of such activity, and other areas of lost income. Such income that does not specifically relate to patient care will be recorded as other operating income.

Funding for additional annual leave and settlement of 'Flowers' liabilities should be considered income for patient care activities. Please record this funding in 'other clinical income' (INC0340) in Note 1.1 and income from NHS England (INC1100) in Note 1.2. The counterparty for agreement of balances is CBA033.

Commissioner counterparty guidance

The following table explains the expected counterparty analysis for components of provider income.

<table>
<tr><th colspan="2">Payment tranche</th><th>Recognition in a provider form</th><th>Counterparty for agreement of balances</th><th>Additional notes</th></tr>
<tr><td colspan="2">Months 1 - 6</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Block</td><td>Split between income from patient care activities and other operating income</td><td>Respective commissioner per remittance (CCG or region)</td><td></td></tr>
<tr><td colspan="2">Projected top-up (M1-6)</td><td>Block projected top up (INC1920)</td><td>NHS England core (CBA033)</td><td></td></tr>
<tr><td colspan="2">Retrospective top-up (M1-6)</td><td>Retrospective top up (INC1550 & INC1551)</td><td>NHS England core (CBA033)</td><td></td></tr>
<tr><td colspan="2">Months 7 - 12</td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">Block (System envelope entitlement)</td><td>Block</td><td rowspan="3">Split between income from patient care activities and other operating income</td><td>Respective commissioner per remittance (CCG or region)</td><td rowspan="3">System envelopes were calculated as a sum of multiple components including growth fund, a system top-up and a fixed COVID top-up. However providers are not expected to separately disclose their allocation of these as individual funding components.</td></tr>
<tr><td>System top-up</td><td>Respective CCG
The M7 system top-up element was paid to providers by NHS England centrally but was on behalf of CCGs and has been subsequently reallocated. Therefore this M7 payment should be recorded as income from CCGs.</td></tr>
<tr><td>System COVID top-up</td><td>Respective CCG</td></tr>
<tr><td colspan="2">COVID-19 pass-through funded programmes (eg Nightingale hospitals)</td><td>Reimbursement top up (INC1560 & INC1565)</td><td>NHS England core (CBA033)</td><td></td></tr>
<tr><td colspan="2">Funding for lateral flow testing</td><td>Specific scheme funding - NHSE (INC1570)</td><td>NHS England core (CBA033)</td><td></td></tr>
<tr><td colspan="2">Top-up: M7-M12 regime additional income</td><td>Top-up: M7-M12 regime additional income (INC1580)</td><td>NHS England core (CBA033)</td><td></td></tr>
<tr><td colspan="2">Funding for LAMP testing and lighthouse laboratories</td><td>Specific scheme funding - DHSC (INC1575)</td><td>Department of Health (DOH033)</td><td></td></tr>
</table>

3. Reminder of key principles

3.1. Prior period comparatives

Prior period adjustments within local accounts are rare but may be required in application of International Accounting Standard (IAS) 8. Prior period comparatives are populated into the TAC schedules using data from the 2019/20 audited PFR form and are unlocked. If a provider needs to make a prior period adjustment in its accounts, it should be reflected in the TAC schedules in exactly the same way. The key thing is that at month 12 your audited accounts and TAC schedules must be fully consistent, including prior year numbers. If you do change a prior period figure that impacts a primary statement, TAC33 (PPAs) will identify this and ask for an explanation.

Where NHS Improvement contacted your trust in the prior year in relation to an error identified in your TAC schedules, the adjustments agreed with you have been reflected in your populated comparatives. **Any such central changes for your specific trust are explained in the email from Provider Accounts dated 9 March 2021.** Please review this email for details; we ask you to not change the figures back without talking to us (Provider Accounts) first.

3.2. Approach to charities

Some NHS providers consolidate an NHS charity into their accounts under the requirements of IFRS 10. Section 6 explains why this means we need to allow the consolidation of charities within the TAC schedules. Within the TAC schedules there are blue headed columns to enable preparers to present intra-group eliminations for their charity consolidation specifically. If you do not consolidate a charity under IFRS 10 you can simply ignore the blue headed columns.

DHSC is required to consolidate almost all NHS charities into its accounts, regardless of local consolidation.

For an NHS provider with a linked charitable fund, there are 3 different circumstances, which determine how the TAC schedules should be completed:

1. Provider has NHS charity it is consolidating under IFRS 10:
    - The consolidation should also be reflected in the TAC schedules as the TAC schedules must be consistent with the provider's accounts.
    - All providers consolidating a charity should refer to the guidance in section 6 which provides detailed instructions on charity consolidation in the TAC schedules.

- In this scenario please complete TAC40 (Charity - consol) and leave TAC41 (Charity – non-consol) blank.

2. Provider is not consolidating its charity and the charity is included on the list of charities regarded as 'fully independent' by DHSC:
    - Some charities are 'fully independent' and are entirely excluded from the DHSC consolidation. These are listed in annex 1. In these cases please do not complete either TAC40 or TAC41.

3. Provider is not consolidating its charity under IFRS 10 and the charity is not listed in annex 1:
    - For these charities, we need to collect summary data to enable DHSC to complete its 'all charities' consolidation centrally.
    - In this scenario please ignore TAC40 (Charity - consol) and all the blue headed charity columns in the TAC (these are for charity consolidators). But please complete TAC41 (Charity – non-consol) and we will pass this information to DHSC.

If a provider is in the rare situation of being in more than one of these circumstances (i.e. they have more than one linked charity, treated differently), please get in touch with Provider Accounts.

3.3. Validations and Justify or Change points (JoCs)

Validations must be passed in each submission, unless you have contacted Provider Accounts in advance and obtained clearance prior to submission. A JoC is a softer validation: the form will identify if any data appears unusual, and the user must then justify (explain) it or make any necessary change. If you are experiencing any problems with accounts (TAC) validations or JoCs as part of completing the TAC schedules, please contact us at provider.accounts@improvement.nhs.uk **well in advance** of the deadline for submitting the form. We will only accept validation fails where they have been pre-approved, and will review all JoC explanations.

4. Detailed guidance: tab by tab

This section provides standing guidance on specific notes and tables in the TAC schedules. Any changes from the prior year are covered in section 2 of the document. For specific guidance defining rows, please refer to the 'i' boxes included within the template. Information in an 'i' box is not repeated in this document.

4.1.1. TAC02 SoCI, TAC06/07 Op Inc, TAC08 Op Exp, TAC11: Discontinued operations rows

- Use of these rows is expected to be very rare. Please refer to the definition in the GAM.

4.1.2. TAC05 SoCF

- This statement, like all the primary statements, is presented on a group basis including consolidated charitable funds.
- Row SCF0120 removes all income relating to capital donations from the operating section of the cash flow; row SCF0220 adds the cash element back into the investing section.
- The reconciliation boxes (tables CF1 and CF2) should largely automatically generate the cash flow statement where balances have been correctly classified in SoFP notes. Unless you know you have a rare and specific scenario, large entries in the 'other adjustment' rows are not expected.
- Table CF3 derives the charitable fund cash movements rows for the cash flow statement. It can be ignored if you do not consolidate a charity.
- Table CF4 is the primary source of entry for cash flow movements in DHSC and other loans. This level of detail is required so we can feed through to the monthly monitoring tabs in the PFR form. Entries in this table are also validated against DHSC financing records.

4.1.3. TAC05A SOCF MI rec

- This table computes a 'without charity' version of the cash flow statement to feed through to monthly monitoring tabs in the PFR form.
- This tab should be ignored by trusts that do not consolidate a charity.

- For those trusts that do consolidate a charity, this tab does not require any input, unless the trust recognises an ‘other loan’ from the consolidated charity. See chapter 6 for more details.

4.1.4. TAC06 Op Inc 1: note 1.2 and note 1.3 – overseas visitors (non-reciprocal) income

- In completing row INC1180 in note 1.2 and the analysis in note 1.3 please note:
    - Income is recognised under IFRS 15 and so should include both invoiced and accrued income, where the entity is entitled to recognise it.
    - Income in this row and note is only where the provider directly invoices the patient, so should exclude income associated with reciprocal arrangements like the European Health Insurance Card (EHIC) scheme and CCGs in connection to risk sharing arrangements.
    - In line with IFRS 15, revenue is recognised to the extent the provider is entitled to it and not what it expects to collect. If a credit loss allowance (bad debt provision) is required this should be recorded in TAC18 (note 20.1 and 20.2) and disclosed in note 1.3: such amounts should not be netted off the original income recognition if the provider is entitled to the revenue.

4.1.5. TAC07 Op Inc 2

- Note 2.1 is split between IFRS 15 revenue streams and non-IFRS 15 revenue streams as required by paragraph 113(a) of IFRS 15. Table 2A is a breakdown of other IFRS 15 income.

- Note 2.2 Fees and charges collects information in relation to the local accounts (/annual report) requirement included in the DHSC GAM and FT ARM. This note is a HM Treasury requirement. Trusts should refer to the DHSC GAM for further guidance.

4.1.6. TAC08 Op Exp

- There is no separate row for ‘inventories consumed’: providers will include these costs in the relevant rows. However please note the row for drugs costs: we expect the expenditure associated with drug inventories consumed and purchase of non-inventory drugs to be included on this specific row.

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

4.1.7. Link between TAC09 Staff and TAC08 Op Exp

- Staff costs in TAC08: Operating expenses includes a row for staff costs. Some trusts include staff costs elsewhere in operating expenses, for example research and development expenditure. Rows 31-38 on TAC09 allow the user to identify these elements which then feed into the appropriate rows on TAC08.

4.1.8. TAC09 Staff: employee expenses note

- Counterparties: DHSC requires separate counterparty analyses to be provided for permanent employees and other staff costs. Counterparty analysis for expenditure relating to permanent employees is restricted to Other WGA bodies (for employer NI and pension contributions) and external to government (gross salary and other payments) only. Expenditure relating to ‘other’ is unrestricted.

- Net accounting recharges: A counterparty analysis is not expected for these monies. Both parties to the recharge arrangement should account for the income/expenditure as ‘external to government’ (as with an agency arrangement). More guidance on this is provided in the Agreement of Balances Guidance.

- Definitions:

    - Permanently employed: this relates to staff who are permanently employed by the trust and includes staff who are on outward secondment or loan to other organisations.

    - Others: this relates to others engaged on the objectives of the trust and will include staff on inward secondment or loan from other organisations, agency/temporary staff and contract staff.

    - Temporary staff – external bank: This row relates to non-payroll external bank staff costs, and should be used where the trust uses an external bank provider and the provider fulfils the requirement with staff on its own books. This line has a restricted counterparty analysis. The ‘Other WGA’ counterparty column is unlocked to permit external bank spend with NHS Professionals to be recorded in the external bank line. Note that internal bank should be recorded in the salaries and wages row.

- Temporary staff - agency / contract: This relates to non-payroll staff only such as agency workers, interim managers and specialist contractors. It should not include bank staff or staff borrowed or seconded from other NHS bodies. These should be recorded in temporary staff – external bank or salaries and wages as appropriate. As such, this line has a restricted counterparty analysis. The 'Other WGA' counterparty column is unlocked to permit agency spend with NHS Professionals to be recorded in the agency line.

- Contract staff – this means contractors engaged by the trust on a contract to undertake a project, task or interim role. It does not include amounts payable to contractors in respect of the provision of services (e.g. cleaning or security) which should not be recorded within staff costs.

4.1.9. TAC09 Staff: Notes 6.1, 6.2, 6.3: Exit packages

- Notes 6.1 and 6.2 are for all exit packages: this includes compulsory redundancies, and other (non-compulsory) departures.

- Note 6.3 is an analysis of the other departures in the above note. As explained in the GAM / FT ARM, the number of payments is likely to be higher as an exit package may have more than one element in note 6.3.

- Within note 6.3, the line STA0770 is for non-contractual payments requiring HMT approval: these are special severance payments.

4.1.10.TAC12 Impairments

- This tab is the primary input for impairments. The categorisation of impairments is important for government budgeting purposes. Definitions of the different types of impairments can be found in the *Guidance for in year financial monitoring form* document available on trust portals in the 'additional guidance' section.

- By default, impairments scoring to the revaluation reserve will appear in the 'cost' section of the PPE/intangible note, and impairments scoring to operating expenses will appear in the depreciation/amortisation section of the PPE/intangible note. Table 12B allows the user to elect to override this default if desired.

4.1.11.TAC13 Intangibles

- Transfer of donated assets from consolidated charitable fund to trust (which was recognised in charity balance sheet prior to transfer):
    - Where a consolidated charity donates an asset to the trust, this is an addition for the trust and a disposal for the charity. This row is only used where the TACs include a consolidated charity. For consolidations, this line is used to simplify that treatment and show a reclassification within the group. This is only used for the transfer of actual assets, and not donations of cash.
    - The user should input the value of the addition for the trust in columns G-O. The disposal from the charity may be net of accumulated amortisation: any entry in INT0255 column P for amortisation is then grossed up in INT0095 column P.

4.1.12.TAC14 PPE: Note 14.1

- Transfer of donated assets from consolidated charitable fund to trust (which was recognised in charity balance sheet prior to transfer):
    - Where a consolidated charity donates a physical asset to the trust, this is an addition for the trust and a disposal for the charity. This row is only used where the TACs include a consolidated charity. For consolidations, this line is used to simplify that treatment and show a reclassification within the group. This is only used for the transfer of physical assets previously held by the charity and not donations of cash or purchases of assets by the charity immediately donated to the trust (without the charity capitalising it).
    - The user should input the value of the addition for the trust in columns G-N. The disposal from the charity may be net of accumulated depreciation: any entry in PPE0255 column O for depreciation is then grossed up in PPE0095 column O.

4.1.13.TAC14 PPE: Table 14E Valuation methods

- This information is collected to aid the production of the accounting policies for the consolidated accounts of providers. In this table please enter the current net book value of assets.

4.1.14.TAC15 Investments

- Note 17.1 Other investments / financial assets:

- This is a table of movements in the *net* carrying value of financial assets, so is after any credit loss allowances. IFRS 9 changes the way impairments to financial assets are measured by applying an expected credit loss model. Movements in stage 1 and 2 credit loss allowances (initial 12 month expected losses and lifetime expected losses where the financial asset has reduced in credit quality) should be recorded in the row for '(increases)/decreases in credit loss allowances'. Such losses feed into the 'movement in credit loss allowance' row in the operating expenses note along with any movements in allowances on receivables.

- Once a credit impairment event has occurred, these losses reach stage 3 and the stage 1 and 2 loss allowances should be reversed and an impairment (stage 3 loss) recorded in TAC12 which will feed the net impairments row in Note 17.1. This will appear as an impairment in the operating expenses note.

- Table 17A Gross carrying value of other investments / financial assets:

  We are not collecting a full reconciliation of movements in credit loss allowances for non-receivable financial assets (investments) as we do not expect it to be material to the consolidated provider accounts and are instead recording investments on a net basis. Table 17A collects the value of the total credit loss allowance on other financial assets and uses this to compute the gross carrying value at the balance sheet date.

4.1.15.TAC18 Receivables: note 20.1 definitions

- A **contract receivable** is a provider's unconditional right to receive cash or other consideration in relation to contracts with customers (revenue under IFRS 15). An unconditional right will most often arise once performance obligations have been satisfied. A provider does not need to have raised an invoice to have an unconditional right to consideration. If a contract specifies that the NHS provider is entitled to payment in advance then the contract receivable arises before the performance obligations have been satisfied (a contract liability will then also be recognised where such performance obligations have not been satisfied by the period end).

- A **contract asset** is where the provider's right to consideration is still conditional on another factor (other than the passage of time or an administrative process). This means performance obligations have been partially satisfied and revenue has been recognised but the provider has no entitlement to any consideration until further performance obligations have been satisfied**.** If a provider has simply not issued an invoice at the period end but otherwise has an unconditional entitlement to the consideration, this is not a contract asset – such 'not yet invoiced' amounts are contract receivables. We don't expect this to be a significant item for providers.

Further guidance on classifying receivables is provided in annex 4.

4.1.16.TAC18 Receivables: note 20.2 Allowances for credit losses

- This note is split between contract receivables and all other receivables. Additionally, it collects the portion applicable to balances with DHSC group bodies, in order to facilitate group eliminations.

- In general, movements in providers' credit loss allowances are expected to relate to the following four main rows:

    - New allowances arising – lifetime expected credit losses assessed when initially recognising the receivable
    - Changes in the calculation of existing allowances – changes in allowances for receivables recognised in a previous period including changes in the credit quality of the debtor.
    - Reversals of allowances – where the allowance is released because the receivable has been paid
    - Utilisation of allowances – where the receivable is subsequently written off

- Most providers are unlikely to need to use the 'changes arising following modification of contractual cash flows' (where credit payment terms are altered) or 'foreign exchange and other changes' rows.

- Checks at the bottom of the table ensure that the closing total for credit loss allowances agrees to the main receivables note.

4.1.17.TAC21 Borrowings

- In note 27, loans, including those from DHSC, are held at amortised cost. For DHSC loans both principal and interest accrual balances are validated together against this note.

- Note 29.1 is a reconciliation of the movements in liabilities that arise from financing activities, showing both cash and non-cash movements. This is a requirement of IAS 7. Examples of how to complete this note can be found in **annex 3**.

4.1.18.TAC24 On-SoFP PFI

- Note 33.1 is a maturity analysis of the gross and net balance sheet obligations under the service concession arrangement.

- Note 33.2 is a maturity analysis of the total future obligations under the scheme – this includes the balance sheet obligation and is expected to be at least equal to (but may not be limited to) the total future unitary payments to which the trust is committed.

- Table 33A is a maturity analysis of total future obligations under the service element of the scheme. This is not an accounts disclosure requirement, but the data is still required for the Whole of Government Accounts.

4.1.19.TAC24 On-SoFP PFI: Note 33.3 Analysis of unitary payment

- In the analysis of amounts payable to the service concession operator, the ‘other amounts’ rows (CAP2680 and CAP2690) are expected to be used only very rarely. They are for amounts that the trust is committed to pay under the PFI / service concession contract but do not form part of the UP. Any amounts for services that the trust has elected to pay, or charges for non-contractual works (such as fixing damage) should not be included in these rows. As a general rule of thumb, if the expenditure feels more appropriate to be in Premises or elsewhere in TAC08 rather than the PFI row, do not include in the ‘other amounts’ rows here and use the direct categorisation into the relevant operating expenses row in TAC08. Elements of the unitary payment must be completed in this table in order to flow through to the PFI row in TAC08.

4.1.20.TAC24 On-SoFP PFI: Table 33C: PFI budgeting

- This table is a comparison between costs on an IFRS basis and on a UKGAAP/ESA10 basis. This should be completed by all trusts who are disclosing a service commission (e.g. PFI) commitment at the balance sheet date.

- If the Trust’s PFI scheme was accounted for on balance sheet under UK GAAP prior to the transition to IFRS, this note should be completed with equal costs under each basis.

- The first 12 lines of the note deal with the **revenue** impact. The first part of the table collects the impact on the IFRS accounts of having the PFI scheme on balance sheet: i.e. charges for services, depreciation charges and so on. CAP2305 can be unlocked on request where the trust is recognising one-off items of income or expenditure that do not relate to the current year unitary payment (eg. upon termination or writing off lifecycle prepayments). Please email provider.accounts@improvement.nhs.uk to unlock this row so that we can assess the DHSC budgeting treatment. There is then a line for the UK GAAP / ESA 10 version of this. A further line then calculates the difference between the two.

- The UK GAAP / ESA 10 version of the revenue charge feeds from table 33D, which is designed to show how the figure should be derived. The 'effect on PDC dividend' in the UK GAAP analysis will be the increase to the PDC dividend as a result of the residual interest being on the balance sheet. This is different to the impact on the current IFRS accounts' PDC dividend captured in the IFRS revenue part of table 33D.

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

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

4.1.21.TAC26 Pensions

- These notes are only for use by trusts who have defined benefit pension schemes accounted for as such in their accounts. These are commonly interests in local government pension schemes. The NHS Pension Scheme is accounted for as a defined contribution scheme so should **not** be included here.

- Note 35.1 should be seen as a 'balance sheet movements' note. Entries here feed into note 35.2 and the net liability or net asset is then automatically populated into TAC20 PAY0410 (for net liability) or TAC18 REC0620 (for net liability).

- Note 35.3 computes the amounts to be recognised in the SoCI. This does not in itself make the entries in the SoCI note(s) – the user will need to do that. This will usually be 'pension cost – other' on TAC09. Table 35A asks where these SOCI amounts have been recorded.

4.1.22.TAC27 Financial instruments

- These notes collect the information on carrying values and fair values of financial assets and financial liabilities required by IFRS 7.

- The primary analysis in notes 36.1 to 36.4 is the carrying value of financial assets and financial liabilities split by class of financial instrument (vertically) and IFRS 9 measurement category (horizontally). JoCs check the reasonableness of entries here against the rest of the balance sheet.

- Rather than separately collecting fair value notes, column L (for assets) and J (for liabilities) asks the user if carrying value is not a reasonable approximation of fair value, and then asks for fair value information if the answer is 'yes'.

- The analysis of maturity of financial liabilities should be prepared on a gross liability basis (ie. undiscounted future cash flows). The table is split out horizontally by class of financial liability to aid preparation – this level of detail is unlikely to be required in accounts.

4.1.23.TAC30 Transfers by absorption

- These tables are only used for transactions meeting the definition of a transfer by absorption per the DHSC GAM. Refer to section 5 of this document for further guidance.

4.1.24.TAC31 / TAC32 – Newly authorised foundation trusts

- TAC31 and TAC32 are only used where an NHS trust is authorised as a foundation trust, whether at the start of or during a year. They should not be used for absorption transfers between bodies.

- They should not be used where a new NHS trust or NHS foundation trust is created. Where a new entity is formed, it is created with nil balances with absorption transfer(s) shortly after.

- The expected sign guidance applies to both a trust recording its 'transfer to FT' and an FT recording its 'start of period' balances.

4.1.25.TAC33 Prior period adjustments

- As explained in section 3, prior year figures in the TAC schedules are unlocked for editing. The original comparatives are locked into table 44A: if a prior year figure is changed, this tab will calculate the difference and ask for an explanation.

- Tables 44B and 44C then ask for more details of capital and revenue PPAs respectively: this is required as PPAs score to the current year in DHSC budgetary terms and for adjusted financial performance so we need to classify them appropriately.

5. How to record a transfer by absorption

This section has been drafted on the basis of an incoming absorption transfer, but the principles apply equally to an outgoing transfer. Where we refer to 'the provider' we mean the continuing organisation recording the inward absorption transfer.

Step 1: Determine the transferring balance sheet numbers

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

Step 2: Complete summary information on TAC30

Complete Table 43A on TAC30 to provide summary information on each individual transfer by absorption.

Step 3: Complete detailed information on the net assets transfer on TAC30

Table 43B is then used to complete the detail of the assets and liabilities being transferred. This sums to net assets (row ABS1250) which will equate to the gain/loss on transfer recorded in the SoCI.

Step 4: Revaluation reserve

Any revaluation reserve balances associated with transferred assets should be reinstated in the receiving body's revaluation reserve following transfer. Transferring revaluation reserve balances are entered in rows ABS1260 to ABS1290. Totals here then flow through to table 43C for transfers between reserves.

Step 5: Transfers between reserves

Applying the revaluation reserve principles in the DHSC GAM, after the net gain/loss on absorption in the SoCI flows through to reserves, any other transferring reserves are then recreated by means of a transfer from the I&E reserve. Table 43C is used to record the transfer between reserves. It is not intended to present the ‘impact’ on reserves as it does not include the effect of the absorption gain/loss.

Step 6: Check that inter-provider balances have been eliminated

If the transfer relates to the provider taking on services from another provider and the two finance functions have not been merged, additional care should be taken to ensure that any internal balances between the separate organisations after the point of transfer have been eliminated prior to completion of the TAC schedules. For example in the case of a wholescale acquisition or merger, if as an interim measure the TACs have been completed by adding together TACs from the two former bodies, please ensure that any items such as loans between the bodies have been eliminated in the entity’s closing balance sheet.

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

Step 7: Check impact on cash flow statement

The automation within the cash flow statement of the TAC schedules calculates gross balance sheet movements for receivables and payables. As such, any movements in receivables / payables that have resulted from the transfer by absorption must be removed from these calculations as they do not represent cash flows. These amounts will be automatically adjusted through rows CFS0120 and CFS0280 on TAC05 using information provided on TAC30.

The amounts adjusted out will relate to operating balances only (i.e. exclude items that do not relate operating cash flows such as capital payables, interest receivable etc) as these are already removed from the calculated movement. Please ensure such balances have been appropriately split out on TAC30.

Step 8: Check absorption transfers with other providers eliminate

Absorption transfers between providers must eliminate in the consolidated NHS provider accounts. We will review all transfers and follow up with providers where this is not the case and ask for differences to be resolved. Providers are therefore advised to check with their transfer counterparty that the figures entered into TAC forms match prior to submission; this includes gross values of cost and depreciation/amortisation in each category of PPE and intangibles. This is particularly important where absorption transfers arise following the demise of one or more providers.

6. How to consolidate a charity into the TAC schedules

Different types of charities and approach to consolidation

Section 3.2 of this guidance explains the three different circumstances for an NHS provider with a linked NHS charity.

This chapter is only applicable to providers locally consolidating a charity under IFRS 10 and explains how to reflect this in the TAC schedules.

Overall structural approach

NHS Improvement's consolidated provider accounts will include charitable funds where consolidated locally under IFRS 10. Some providers also have other subsidiaries so prepare group accounts for that reason.

As set out in the Department of Health and Social Care Group Accounting Manual (DHSC GAM), NHS providers preparing group accounts will have 'group' and 'trust' columns in their accounts. For some providers, the 'group' column will include other subsidiaries, alongside the charitable funds. By default, the numbers presented in the TAC schedules are 'group' – this means that auditors can confirm consistency between the accounts and TACs for all bodies.

Financial planning and monthly monitoring returns are prepared on a 'group without charities' basis. We therefore need to be able to clearly identify group without charities in an easily understandable way in order to drive consistency between TACs and monthly monitoring.

DHSC needs to consolidate all charities (apart from a small number of fully independent charities) as a separate exercise for its compliance with the ONS definition of the departmental group. NHS Improvement is required to report to DHSC with all charities deconsolidated as part of this process.

To make this approach as straightforward as possible, local consolidation eliminations between the charity and the group without charity (a term we use rather than 'trust' as some providers have both a consolidated charity and other subsidiaries) are presented separately in the TAC schedules. The headers of these columns are coloured blue to ensure they stand out.

Consolidating a charity

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

Step 1
- Complete charity information on TAC40 'Charity - consol': these are the numbers per the charity accounts, adjusted for accounting policy alignment.

Step 2
- Complete further analyses within notes as guided by tables on TAC40 (for example PPE movements entered into relevant column on TAC14).

Step 3
- Make intra-group elimination adjustments to trust and charity numbers in relevant tabs in the TAC schedules.

Step 4
- Check the cash flow statement, where the form generates necessary adjustments.

These steps are explained in more detail below.

Step 1: Complete charity information on TAC40 'Charity - consol'

TAC40 is designed to collect information from the charity's accounts, in a simplified format. This should be before any local intra-group eliminations, but after any accounting policy adjustments that you need to make to the charity numbers to bring them into line with the trust group accounting policies. This includes aligning the timing of income and expenditure recognition.

Where possible, numbers entered here feed into the rest of the TAC schedules. In some places the information on TAC40 is too summarised; more detail is required elsewhere and the two are validated. When data is entered, text alongside the TAC40 tables highlight in blue text where further analysis is required elsewhere, for example PPE movements input on TAC14.

Statement of Financial Activities / SoCI

On TAC40, resources expended on charitable activities should be classified by ultimate beneficiary. In most cases, donations of physical assets received by the trust occur where the charity purchases an asset which upon delivery immediately goes into the books of the trust. Row CHC0065 in this table is intended for this scenario: this line is cash expenditure for the charity for the purchase, but the spend is categorised in columns relating to the beneficiary (the trust), which will then subsequently eliminate against the non-cash income recognised in the trust.

Where the trust recharges staff or other costs to the charity and uses net accounting for this in the 'trust only' accounts (thus recognising no income or overall expenditure), the expenditure within the charity should be considered as incurred directly with the employee / external to the NHS in TAC40. There will be no elimination of the expenditure upon group consolidation as the elimination has already been performed within the trust accounts through the net accounting being used.

Movement in charitable funds reserve

This is a simplified SoCIE. Where possible, movements are populated from previous tables however trusts should review the split between restricted and unrestricted reserves and clear the check which validates closing reserves against the SoFP.

Charity cash flow

The cash flow statement on TAC40 contains the charity's position. This feeds into TAC05 (SoCF) which presents the cash flow statement on a group basis. Cash flow elimination adjustments are then computed from SoFP and I&E eliminations recorded elsewhere and displayed in tables at the bottom of TAC05. These are reversed out in generating a 'group without charity' cash flow statement on TAC05A.

Transfers by absorption table

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

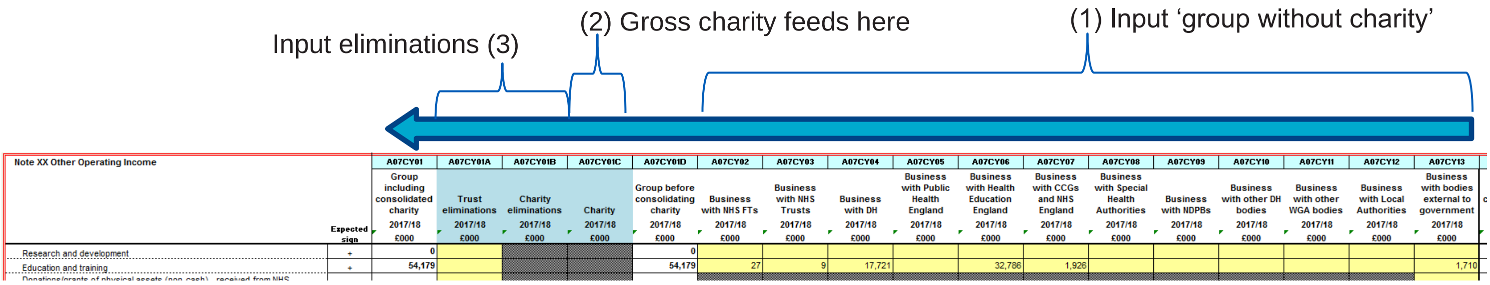
This table should not be used where the funds of a demising charity have transferred into the funds of the provider's existing charity. This would be recorded as incoming resources in the underlying charity's accounts.

Step 2: Complete further analyses within notes as guided by tables on TAC40

Some information is entered in a summarised form on TAC40 and further analysis will be required in the corresponding group accounts note. For example, detail of PPE movements is needed on TAC14. Text alongside the primary TAC40 tables highlights in blue text where this is required.

Step 3: Make intra-group adjustments to Trust and Charity numbers in relevant tabs in the TAC schedules

The charity information input on TAC40 is then fed into the rest of the TAC schedules, shown as (2) in the figure below:



With gross charity numbers feeding into the column marked (2) above, the columns to the left marked (3) then enable recording of intra-group adjustments (specifically for the charity subsidiary only) in leading to the group total. Eliminations from trust numbers and charity numbers should be recorded in separate columns as indicated. There are validation checks to ensure that eliminations balance overall.

For providers with no other subsidiaries, 'group without charity' means the same as their 'trust' position. For providers with non-charity subsidiaries, these entities should already be consolidated in the 'group before charity' numbers.

Step 4: Check the cash flow statement

The TAC schedules are designed to generate cash flow adjustments as much as possible. Table CF3 on TAC05 (SoCF) calculates the post-elimination cash flow entries for working capital, operating cash flows and investing cash flows for consolidated charities. Finally, TAC05A then processes adjustments to generate a cash flow statement without the charity.

If TAC05A does not balance (i.e. cash flow statement does not agree to balance sheet cash movements), please ensure that:

1. you have fully completed the rest of the TAC schedules first;
2. you have no other validation fails and any explained JoCs are reasonable; and

3. all ‘other adjustment’ entries on TAC05 are reasonable

If after these steps you still have a problem with TAC05A, please get in touch with provider.accounts@improvement.nhs.uk providing a copy of your completed form.

Annex 1: Independent charities

As guided by section 3.2, providers should leave both TAC charity tabs blank if their charity is included on the list below.

‘Fully’ independent charities

These are the charities that are ‘fully’ independent and are excluded from the DHSC consolidation. These are:

NHS trusts:

- Barts Charity
- Imperial College Healthcare Charity
- Leeds Teaching Hospitals Charitable Foundation
- Nottingham University Hospitals Charity
- Royal National Orthopaedic Hospital Charity

NHS foundation trusts:

- Above & Beyond (i.e. University Hospitals of Bristol and Weston NHS FT)
- Addenbrooke’s Charitable Trust (i.e. Cambridge University Hospital NHS FT)
- The Alder Hey Charity
- Birmingham Children’s Hospital Charities
- Chelsea and Westminster Health Charity
- Great Ormond Street Hospital Children’s Charity
- Guy’s and St Thomas’ Charity
- King’s College Hospital Charity
- Maudsley Charity
- Moorfields Eye Charity
- Northamptonshire Health Charitable Fund
- Oxford Radcliffe Hospitals Charitable Fund
- Queen Elizabeth Hospital Birmingham Charity
- Royal Brompton and Harefield Hospitals Charity
- Royal Marsden cancer Charity
- The Royal Free Charity
- Sheffield Hospitals Charity
- St George’s Hospital Charity
- University College London Hospitals Charities
- University Hospitals Coventry & Warwickshire Charity

Annex 2a: Changes to TAC schedules since month 9

Tab/Table/Note Affected	Change	Detail
New / altered data requirements		
TAC06 Op Inc 1 – Note 1.1	Altered analysis	The analysis of income from patient care income has been revised since month 9. Please refer to section 2.1.5 for further details.
TAC07 Op Inc 2 – Table 2B	New row	A new row has been added for ‘M7 – M12 financial regime additional income’.
TAC08 Op Exp – Note 4.2	New table	A new table collects a summary disclosure of gross costs incurred on Nightingale Hospitals. This should be completed by all providers incurring Nightingale costs. A PFR validation will check this is consistent with costs provided to NHS Improvement in monitoring information at the back of the form.
TAC07 Op Inc 2 – Note 2.1 TAC08 Op Exp – Note 4.1	New rows	New rows have been added in operating expenditure to record the notional cost of equipment donated from DHSC and NHSE for COVID response which is below the capitalisation threshold. Entry of the notional cost will also populate the income entries in TAC07, where there are dedicated rows for this income. More information is provided in section 2.1.6.
TAC14 PPE – Note 14.1 and Table 14C TAC07 Op Inc 2 – Note 2.1	New rows / new columns	Separate analysis is required of donated additions, net book value and depreciation relating to capital items donated from NHSE for COVID response. This mirrors the functionality added at month 9 in respect of DHSC procured assets. Full details are provided in section 2.1.6.
TAC14 PPE – Table 14F	Reinstated table	Providers are again asked to provide information on any material uncertainty disclaimers included in property valuations. A new question asks whether the provider had an interim or desktop valuation instead of a planned full valuation during the year due to Government restrictions.
TAC17 Inventories – Note 19 and Table 19A	New rows New table	Separate analysis is required of inventories received from other DHSC bodies (including the Department) and a memorandum table has been added to record personal protective equipment received free of charge from other providers. Full details of this change can be found in section 2.1.7.
TAC28 Disclosures – Note 41	Reinstated table	Note 41 has been reinstated for 2020/21. This note is unchanged from 2019/20. Providers only need to complete figures for the quantified expected future impact of IFRS 16 where this has been included in local accounts.

Tab/Table/Note Affected	Change	Detail
TAC29 Losses+SP – Note 42.1	Updated requirement	For special payments, details now need to be provided for all cases over £95k instead of cases over £300k. Full details are provided in section 2.1.9.
Removed / reduced data requirements		
TAC09 Staff – staff sickness	Deleted table	Staff sickness disclosures are not required for 2020/21.
Clarifications (no actual change to existing data requirements)		
TAC61 WGA – Providers TAC65 Audit sheet	Locked cells	Receivables and payables input cells for Royal Brompton and Harefield NHS FT (RT3) have been locked following their acquisition by Guy's and St Thomas' NHS FT (RJ1) on 1 February 2021.
TAC62 – 0NCA	Locked cell	The receivables cell for partially completed spells and non-contracted activity not attributed to a commissioner no longer permits input. There should be no accruals relating to 2020/21 activity and any accruals still held from 2019/20 that are still deemed to be recoverable should by now have been attributed to a commissioner.
Validations and justify or change points		
TAC Validations – validation 51	New	A new validation ensures all checks on TAC17 have been cleared where a transfer of inventories from another provider has been recorded.
TAC Validations – validation 71	New	New validation checking only upward movements in valuations are presented as revaluations, as required by the DHSC GAM.
TAC Validations – validation 89 and 90	New	These checks ensure providers confirm whether a quantified IFRS 16 impact is being disclosed locally and where it is not, that erroneous figures have not been entered.
TAC Validations – validation 91	Amended	Checks updated to include details of special payments over £95k.
TAC Validations – validation 131	New	New validations checking all signage checks on counterparty columns in TAC18 and TAC20 have been cleared.
TAC Validations – validation 154	New	New validations checking all signage checks on counterparty columns in TAC07 and TAC08 have been cleared.
TAC Validations – validations 165 - 167	New	New section for validations checking assets and inventories recognised as donated as part of the COVID response match centrally notified values.
TAC JoCs – JoC 25	New	A new JoC checks that the closing NBV of assets donated from NHSE and DHSC for COVID response reconciles with additions, depreciation and impairments.
TAC JoCs – JoC 37	New	A new JoC checks that utilisation of the clinicians' pension tax reimbursement provision has not been recorded in error (following a number of erroneous entries at month 9)

Annex 2b: Changes to TAC schedules since month 12 2019/20 as previously seen at month 9 (this annex is repeated from M9 completion instructions)

Tab/Table/Note Affected	Change	Detail
New / altered data requirements		
TAC04 SOCIE – PDC table TAC05 SoCF – Table CF4	New rows	The breakdowns of DHSC loan and PDC movements have been updated to reflect changes to the financing regime in 2020/21. These updates reflect changes already seen in the PFR form.
TAC07 Op Inc 2 – Table 2B and Note 2.1	New table	A new table has been added for entering the breakdown of top up funding received, including separate rows to split 'specific scheme funding' between funding from NHSE and funding from DHSC. The total top up funding in this table feeds a new row in other operating income. Please be aware that these numbers are validated in the back half of the PFR form.
TAC14 PPE – Note 14.3 and 14.4	Merged rows	There is now one row for the NBV of both donated and grant funded property, plant and equipment. Comparatives have been amended.
TAC14 PPE – Note 14.1, 14.3, Table 14C TAC07 Op Inc 2 – Note 2.1	New rows/column	Separate analysis is required of additions, net book value and depreciation relating to capital items donated from DHSC for COVID response. This includes ventilators and other medical equipment. Providers are not required to recognise these assets at month 9 therefore these input cells are visible but restricted. Further guidance will be provided ahead of month 12.
TAC17 Inventories – Note 19 TAC07 Op Inc 2 – Note 2.1 TAC08 Op Exp – Note 4.1 TAC02 SoCI – Table: Adjusted financial performance	New column/new rows	New rows and columns have been added for DHSC centrally procured inventories (protective equipment). Providers are not required to reflect these inventories at month 9, therefore these input cells are visible but restricted. Further guidance will be provided ahead of month 12.

Tab/Table/Note Affected	Change	Detail
TAC20 Payables – Note 24.1 TAC30 Transfers – Table 43B	New row	A new row has been added to payables to record annual leave accruals under IAS 19. All providers should split out this accrual regardless of value. Annual leave accruals should not be recorded in provisions. Comparatives must be reanalysed to split out the prior year accrual. An explanation is required in the related JoC where the provider does not account for an annual leave accrual.
TAC24 On-SoFP PFI – Table 33C	New row	A new row has been added to allow providers to record any one-off income or expenditure arising from their PFI which is not part of the current year unitary payment. This would likely occur on termination, or where PFI lifecycle is written off. To unlock this row please contact Provider Accounts so that we can assess the budgeting treatment.
TAC27 Fin Inst – Note 36.5	New table	A new table replaces the previous maturity analysis for financial liabilities. Previously this analysis has been performed on book values. However IFRS 7 (para B11D) requires this analysis to be based on undiscounted future contractual cash flow (ie gross liabilities including finance charges). Restatement of the prior year is required. For detailed guidance please see section 2.1.3.
Removed / reduced data requirements		
TAC07 Op Inc 2 – Notes 3.1 and 3.2 (2019/20 reference)	Deleted tables	IFRS 15 disclosures for contract revenue recognised in the period and transaction price allocated to remaining performance obligations will no longer be collected in the TACs as they are not material nationally. If these disclosures would be material for your trust, they should continue to be included in local accounts.
TAC15 Investment – Note 15.2 (2019/20 reference)	Deleted table	The note for investment property income and expenses has been deleted as we no longer need to collect this data. The related JoC has also been deleted.
TAC18 Receivables – Note 21	Deleted row	The EU emission trading scheme allowance row within other assets has been deleted. If any provider still holds allowances to be surrendered by 30 April 2021 please record them in ‘other assets’ (REC0590).
TAC27 Fin Inst – Note 36.1, 36.2, 36.3 and 36.4	Merged columns	Carrying values of financial assets and liabilities held at fair value through I&E or OCI no longer need to be split between mandated and designated within the TACs. If this distinction is material for an individual provider, additional disclosure should continue to be made in local accounts.
TAC61 to TAC65 – WGA and audit sheet	Updated	These sheets have been updated to reflect changes to counterparties. Please note there are changes to how transactions and balances with NHSE sub-components (specialised commissioning and regional teams) should be recorded. More information is given in rows 174 – 181 of TAC62 and in section 0.

Tab/Table/Note Affected	Change	Detail
Clarifications (no actual change to existing data requirements)		
TAC12 Impairments – Table 12A	New input restriction	Financial asset impairments are unlikely to be classified as AME. These cells are now protected and may be unlocked on request.
TAC33 PPAs – Table 44C	New input restriction	Table 44C requires providers to analyse PPAs that have resulted in a movement in the opening I&E reserve. The rows for OCI movements and reserve transfers have been protected to prevent erroneous entry. If your PPA relates to a non-I&E movement, the rows may be unlocked on request.
TAC60 WGA – Main rec	Updated table	The summary of AoB / WGA transactions and balances has been updated to show the counterparty split horizontally to be consistent with counterparty notes throughout the TAC schedules. The results of AoB / WGA validations are also shown on this tab, to aid providers in clearing variances against income, expenditure, payables and receivables notes. This is a change of presentation in response to provider feedback; there is no change to data or functionality.
Validations and justify or change points		
TAC Validations – validation 18	Amended	This check has been amended to include donated equipment from DHSC for COVID response.
TAC Validations – validation 19	New	A new check validates the value of top up funding recognised. This check will only be applicable at month 12.
TAC Validations – validation ~~83~~86	Amended	This check has been amended to reflect the new basis of preparation for the maturity analysis on financial liabilities. See changes to TAC27 for more details. This current year check is only applicable at month 12.
TAC Validations – validation ~~84~~87	New	A new prior year check has been added to reflect the new basis of preparation for the maturity analysis on financial liabilities. Comparatives will need to be prepared at month 9.
TAC JoCs – JoC 17	Amended	A new check has been added to ensure the split of the additional 6.3% pension contribution (between permanent and other staff) is consistent with the split of the 14.3% pension contributions. This will only be applicable at month 12.
TAC JoCs – JoC 21	Amended	This JoC has been amended to include donated equipment from DHSC for COVID response.
TAC JoCs – JoCs ~~30 and 31~~ 31 and 32	New	Two new JoCs check whether annual leave accruals for current year and prior year have been separately recorded in payables. Providers are expected to revisit comparatives to split this out.
TAC JoCs – JoC ~~35~~ 36	New	A new JoC checks that clinicians' pension tax reimbursement provisions have not been recorded entirely as current.

Tab/Table/Note Affected	Change	Detail
TAC JoCs – JoCs ~~49 and 50~~ 51 and 52	New	These two new JoCs check that the maturity analysis of financial liabilities (now prepared on a new gross basis) has not been overstated. Comparative check applies at month 9. Current year does not need to be completed until month 12.
TAC Validations TAC JoCs	Deleted	The following 2019/20 validations and JoCs have been removed from the template as they are no longer required (numbers refer to the 2019/20 month 12 template). Validations: 19, 158, 159 JoCs: 14, 26, 52, 53, 54

Annex 3: Note 29 Reconciliation of liabilities arising from financing activities – examples

Building on the additional guidance provided in section 4, this annex provides examples of how to reflect the most commonly-occurring scenarios in note 29 on TAC 21.

DHSC and other loans

Note 29.1 Reconciliation of liabilities arising from financing activities - 2019/20		Expected sign	A21CY01 Total liabilities from financing activities 2019/20 £000	A21CY14 DHSC loans 2019/20 £000	Maincode Subcode
This disclosure is a requirement of IAS 7 (paragraph 44A)					
Carrying value at 1 April 2019 - brought forward		+	34,973	34,973	BOR0440
Cash movements:					
Financing cash flows - principal	i	+/-	(64)	(64)	BOR0470
Financing cash flows - interest (for liabilities measured at amortised cost)	i	-	(373)	(373)	BOR0480
Non-cash movements:					
At start of period for new FTs		+	0	0	BOR0490
Transfers by absorption		+/-	0	0	BOR0500
Additions		+	0		BOR0510
Business combinations (not absorption transfers)		+/-	0		BOR0520
Interest charge arising in year (application of effective interest rate)	i	+	402	402	BOR0530
Change in effective interest rate		+/-	0		BOR0540
Changes in fair values		+/-	0		BOR0550
Transfer to FT upon authorisation		-	0	0	BOR0560
Other changes (freetext required)	i	+/-	0		BOR0570
Carrying value at 31 December 2019		+	34,938	34,938	BOR0580
Total borrowings (current and non-current) from Note 27 Borrowings				34,938	
Closing carrying values match total borrowings (current and non-current)				Pass	

Opening balance

The brought forward balance is populated into BOR0440 from the prior year note.

Decreases in the liability

- Repayments of principal – this is populated from the SoCF (note this is a net cash flow)
- Interest payments in the year are populated from the SoCF. It should be allocated between DHSC and other loans.

Increases in the liability

- Drawdown of funds – this is populated from the SoCF (note this is a net cash flow)
- Interest arising in year – this should be entered into BOR0530. This is expected to match the charge in TAC11 unless borrowing costs have been capitalised. A JoC checks this relationship.

Closing balance

The calculated closing balance will consist of the outstanding principal and any accrued and unpaid interest. This is validated against the borrowings note.

Finance lease / PFI obligations

Where finance lease entries are fed from other parts of the TAC schedules, the user will need to allocate the amounts into the finance lease counterparty columns in Note 29.

Note 29.1 Reconciliation of liabilities arising from financing activities - 2019/20		Expected sign	A21CY01 Total liabilities from financing activities 2019/20 £000	A21CY19 Finance leases - with a non-DHSC group counterparty 2019/20 £000	A21CY20 PFI, LIFT and other service concession obligations 2019/20 £000	Maincode / Subcode
This disclosure is a requirement of IAS 7 (paragraph 44A)						
Carrying value at 1 April 2019 - brought forward		+	488,438	1,631	486,807	BOR0440
Cash movements:						
Financing cash flows - principal	i	+/-	(9,304)	(168)	(9,136)	BOR0470
Financing cash flows - interest (for liabilities measured at amortised cost)	i	-	(11,807)	(74)	(11,733)	BOR0480
Non-cash movements:						
At start of period for new FTs		+	0	0	0	BOR0490
Transfers by absorption		+/-	0	0	0	BOR0500
Additions		+	140	140		BOR0510
Business combinations (not absorption transfers)		+/-	0			BOR0520
Interest charge arising in year (application of effective interest rate)	i	+	11,692	70	11,622	BOR0530
Change in effective interest rate		+/-	0			BOR0540
Changes in fair values		+/-	0			BOR0550
Early termination		-	0			BOR0555
Transfer to FT upon authorisation		-	0	0	0	BOR0560
Other changes (freetext required)	i	+/-	0			BOR0570
Carrying value at 29 February 2020		+	479,159	1,599	477,560	BOR0580
Total borrowings (current and non-current) from Note 27 Borrowings					477,560	
Closing carrying values match total borrowings (current and non-current)					Pass	
Finance lease obligations from Note 28.1 Finance lease obligations				1,599		
Closing carrying values match finance lease obligations				Pass		

Opening balance

The brought forward balance is populated into BOR0440 from the prior year note.

Decreases in the liability

- Repayments of principal – this is populated from the SoCF.
- Interest payments should be entered in BOR0480. Amounts here should **exclude contingent rents paid.**
- Early termination – this should be used when an obligation has ceased ahead of the agreed date, stated in the contract.

Increases in the liability

- Additions – a new finance lease arising in year is a non-cash movement and should be entered in BOR0510
- Interest arising in year – for PFI this feeds from the finance costs note as the analysis here means we can exclude contingent rents. For finance leases the interest charge in year should be input into BOR0530, excluding contingent rents. Apart from contingent rents, this should match the charge in TAC11. A JoC checks this relationship.

  The interest charge arising in year and the interest cash flow will be the same if there is no opening or closing interest accrual.

Other movements

A freetext explanation is required where the 'other' row is used.

Closing balance

The calculated closing balance is the present value of the lease obligation. This is validated against the borrowings note.

If any interest is accrued at the year-end, this will also be part of the present value of the lease obligation.

Annex 4: Guidance on applying IFRS 15

A4.1 Introduction

This annex is a summarised version of the guidance given in 2018/19 to support implementation of the IFRS 15. It should be used alongside the DHSC GAM and the standard itself. Guidance issued by NHS Improvement in 2018/19 to help providers understand the disclosure requirements in the standard is available here.

A4.2 Classifying revenue

Although IFRS 15 is titled *Revenue from contracts with customers*, it specifies that contracts may be written, oral or implied by customary business practices. The absence of a formal written contract does not take the revenue out of the scope of this standard. For the avoidance of doubt, the following revenue streams **do** fall within the scope of IFRS 15:

- Injury cost recovery income – as stated in the GAM.
- Cash revenue streams such as car parking income and catering where the oral or implied contract is entered into at the point of cash being taken.

Guidance on disclosures required by IFRS 15 and included in the TAC schedules is provided in section 4.1.5.

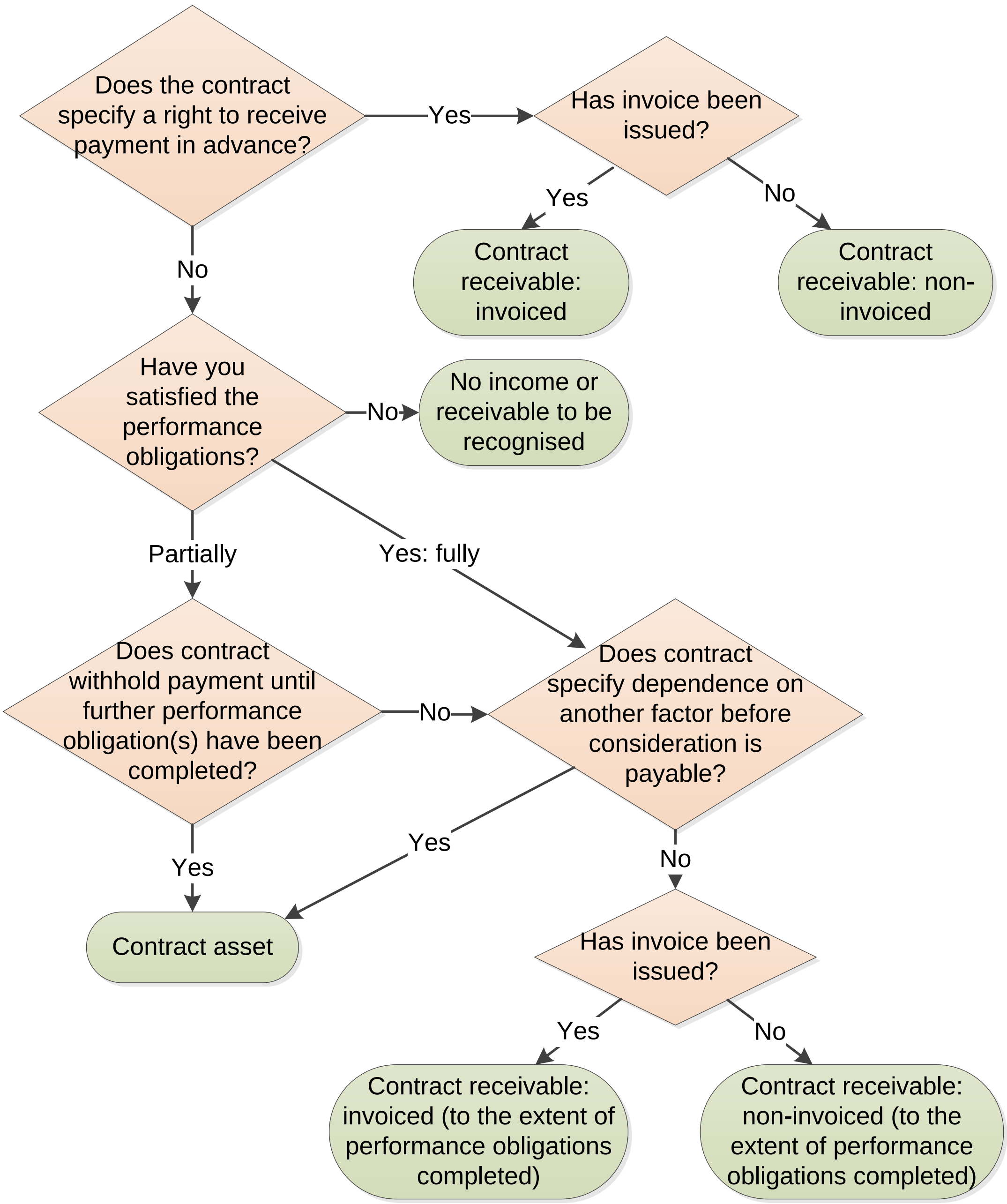
A4.3 Classifying receivables

Receivables are separated into those relating to IFRS 15 contract revenue and those that do not. We recommend the easiest approach is likely to be to identify receivables that specifically do not relate to revenue recognised under IFRS 15. These will include:

- receivables where the income is recognised in accordance with another standard (eg lease receivables and accrued grants and donations accounted for under IAS 20),
- any interest receivables where not already recognised in the carrying value of an investment,
- receivables where the associated gain or loss is not an item of revenue (eg proceeds on disposal of PPE),
- receivables relating to taxes paid and PDC dividends; and
- receivables where the counterparty is not considered a customer by the standard (eg prepayments or credit balances reclassified from payables –

these relate to refunds of expenditure so the counterparty is not the customer).

Section 4.1.15 defines the difference between contract receivables and contract assets. The following decision tree may further assist with disclosure classifications:



A4.4 IFRS 15 and the NHS standard contract

For more guidance on how IFRS 15 applies to the NHS Standard Contract, please see the separate guidance issued by DHSC and NHS Improvement in January

2019. This is available at https://www.england.nhs.uk/financial-accounting-and-reporting/financial-reporting/ (entry dated 29 January 2019).

A4.5 Frequently asked questions

Below are questions and answers asked in the application of IFRS 15. If there is any doubt, a reading of IFRS 15 and the GAM should take precedence.

Q1: How should we deal with contract challenges from commissioners?

A1: *Previously under IAS 18, where the provider has accrued income at the year end which has not been agreed and/or paid by commissioners, the provider would need to supply evidence to its auditors to show the recoverability of its receivable, and thus also support its revenue position. This principle has not changed. If the provider has evidence that it is entitled to the revenue, it should continue to recognise the revenue. It should then make separate considerations about whether any required impairment of the receivable is required under IFRS 9.*

Paragraph 51 of IFRS 15 defines when an amount of consideration is variable. Paragraph 52 adds that consideration is variable if the customer has a valid expectation from the entity's [provider's] customary business practices, published policies or specific statements that the entity [provider] will accept an amount of consideration that is less than the price stated in the contract.

A logical application of this is that if the commissioner's contract challenges are valid, then the provider should apply the accounting requirements for variable consideration. Paragraph 53 says that the entity shall estimate the amount of variable consideration using either the expected value of the consideration, or the most likely amount. (This is a brief summarisation of the paragraph.) Therefore if the commissioner's challenges are considered valid by the provider and it no longer expects to be entitled to that portion of the revenue, the provider would de-recognise the revenue under IFRS 15.

Q2: We are recognising revenue from a contract but we have concerns that the customer may not be able to afford what we expect to bill. Does this mean we should not recognise the revenue?

A2: *Paragraph 47 of IFRS 15 defines that the transaction price for revenue recognition as being the amount of consideration (cash or other assets) to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. This says 'expects to be entitled' rather than 'expects to collect'. If the provider is entitled to the revenue, it should recognise the revenue. Any concerns about the customer's ability to pay fall within the impairment provisions of IFRS 9, as adapted by the DHSC GAM.*

Q3: We have income stream x that feels like it should be IFRS 15, but we don't have a formal contract and it is not clear how we apply the five steps of IFRS 15.

A3: *A revenue stream will fall under IFRS 15 if it does not fall under a different standard. The five-step model in IFRS 15 ultimately defines how revenue is accounted for. They are not a set of criteria to determine whether IFRS 15 applies. Also remember that the DHSC GAM explains that the definition of a contract is expanded to include legislation and regulations which enables an entity to obtain revenue that is not classified as a tax.*

Paragraph 9 of IFRS 15 sets out the criteria to be met in defining a contract that falls under IFRS 15. Where a revenue stream does not fall under another standard but there is not a contract meeting the definition of such under IFRS 15, paragraph 15 of the standard is then important. It states:

15 When a contract with a customer does not meet the criteria in paragraph 9 and an entity receives consideration from the customer, the entity shall recognise the consideration received as revenue only when either of the following events has occurred:

(a) the entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable; or

(b) the contract has been terminated and the consideration received from the customer is non-refundable.

This means that income can be recognised as revenue when all, or substantially all, of the promised funding has been received by the Trust. If, for example, the funding for the current financial year is received in monthly instalments and the twelfth payment is received after the year end, we believe it would be appropriate to accrue the associated revenue into the current reporting period by application of this paragraph. It should also be remembered where entities receive revenue through taxation, fines and penalties which is wholly non-refundable and leads to no obligations, entities are not required to wait until all, or substantially all, of the promised revenue has been received to recognise the revenue. In these instances, entities should recognise revenue when an equivalent to a taxable event has occurred, the revenue can be measured reliably, and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. All these elements are required to be satisfied. Other income sources: timing of income recognition

Q4: We were awarded income from an education body at the end of the financial year telling us that the monies are to be used by the end of June in the subsequent financial year for delivering specific courses. There is no condition saying the money is repayable if not delivered by 31 March given the courses are to be delivered by 30 June. The paying body expects us to recognise the income in the current financial year as they will be recognising the expenditure and we will need to do this otherwise we will have an agreement of balances mismatch. However, under IFRS 15 we have assessed that the performance obligation is the delivery of the courses. If we do not deliver the courses before the end of this financial year we believe this is a contract liability under IFRS 15 and we would need to defer the income at the year end. Which approach takes precedence?

A4: *DHSC group counterparties are asked to work together to avoid agreement of balances mismatches and the same should apply in this case. However where disagreement remains, following accounting standards for the preparation of the entity's own accounts takes precedent over avoiding an agreement of balances mismatch. That being said, it is not expected to be the case that both parties to a transaction accurately apply accounting standards and come to a different treatment, even though IFRS 15 is a revenue standard without an equivalent standard for expenditure recognition. In this example, the entity is correct to identify the performance obligation and should defer the revenue. The entity must take steps to communicate this position to the paying body so that they can adopt equivalent treatment: they might not know about the entity's planned timing for this without being told. If following this the paying body continues to recognise expenditure in the current year, the entity will accurately have an agreement of balances mismatch.*

Q5: Does research income fall under the scope of IFRS 15?

A5: *Under many research contracts, the Trust has obligations to deliver to the funder in exchange for the consideration provided. We expect that these will fall under IFRS 15.*

This might be less clear for some research grants, and where these are from government IAS 20 considerations apply. IAS 20 includes 'grants related to income' (i.e. revenue grants) in its scope and it defines government grants as "transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity".

Research income can be recognised using IFRS 15 or another standard and the TAC schedules reflect this by having a research line for IFRS 15 and non IFRS 15 research income. Providers will need to consider the standards and the contract in detail, it may be helpful to consider whether the Trust feels it is 'transferring a promised good or service' to the grant-paying body (customer), in the language of IFRS 15.

Q6: What considerations should be made for research contracts that do fall under IFRS 15?

A6: As ever with applying IFRS 15, the key steps are identifying the performance obligations (the promises to transfer goods/services to the customer) and then whether those performance obligations are settled at a point in time or over time.

For example: A provider shared an example of a research contract where it was considered the only performance obligation was the delivery of completed research at the end of three years. Upon review of the contract we felt that paragraph 35c was met, being a condition meaning the performance obligation is considered satisfied over time: "the entity's performance does not create an asset with an alternative use to the entity (see paragraph 36) and the entity has an enforceable right to payment for performance completed to date (see paragraph 37)." The contract including a schedule of the types of activity that would be reimbursable and the research was overall specific to the contract. The contract required annual reports of work completed and expenditure incurred – in this case these were not judged as performance obligations in their own right. But the contract did say that provided the activity undertaken was in line with the schedule, then upon receipt of these reports the Trust would be paid annually. The Trust therefore recognised revenue each year as part of satisfying the ultimate performance obligation over the three years.

Q7: Under current regulations, where we invoice overseas patients where there is no reciprocal arrangement, there is a risk-share with the CCG. How much of this falls under IFRS 15?

A7: *All of it. As explained in the DHSC GAM, the definition of a contract under IFRS 15 is extended to incorporate legislation and regulations which enables an entity to obtain revenue that is not classified as a tax. The risk-share arrangements for overseas visitors income are set out in regulations, and therefore fall under IFRS 15. In applying IFRS 15 to overseas visitor charging, the visitor is the customer. More guidance on the applicable regulations is available here and here (including specific guidance on accounting entries). In applying IFRS 15 to overseas visitor charging, the visitor is the customer.*

Q8: Should the accrual for partially completed spells be considered a contract receivable or a contract asset?

A8: *While consideration will normally flow after the patient is discharged, the provider is entitled to revenue in exchange for the work already done which is the purpose of the partially completed spell accrual. It should normally therefore be a contract receivable.*

Annex 5: Guidance on consistency between TAC schedules and audited accounts

Introduction

At month 12, audited accounts and TACs are required to be fully consistent[1] including comparatives. This means that, although providers may present figures in their accounts in accordance with local preference, ultimately the core statements and key outturn figures (such as operating surplus / deficit or surplus / deficit for the year) in the accounts and TACs must match and material notes must be consistent. This annex provides different examples of ensuring consistency between the TACs and the accounts.

The following examples of differences between the TACs and accounts where the two **would still be considered to be fully consistent** (this list is not exhaustive):

- omission of an immaterial disclosure in accounts which is required to be included in TACs for group accounting purposes
- the aggregation of immaterial figures in the TACs to be disclosed as 'other' in accounts (see example 1 below)
- the aggregation of similar transactions / balances in the TACs to be disclosed together in accounts (see example 2 below)
- material figures disclosed separately on the face of primary statements in the accounts (see example 3 below)

The following examples of differences between the TACs and accounts **would be considered to be inconsistent** (this is not an exhaustive list):

- incorrect classification of items in the accounts such that they are non-compliant with the DHSC GAM (see example 4 below)
- consolidation of a subsidiary of charity in the provider's group accounts which is not consolidated in the TACs – TACs must always be prepared on a group basis
- inclusion of an outward transfer in the TACs for a demised provider not included in the final period accounts.

[1] The only exception to this in 2020/21 is the presentation of centrally-procured inventories in the inventory note as explained in chapter 2

Example 1 – fully consistent: immaterial figure in the TACs included in ‘other’ in the accounts

Within a note in the TACs, there may be figures which are immaterial to a provider and therefore, would not require a separate row within the accounts.

In the extract from the TACs of the operating expenditure note below the figures for legal fees, insurance and hospitality are immaterial, so within the accounts they are added to the ‘other’ row within the operating expenses note, shown in red. The total operating expenditure figures in the TACs and accounts, however, are consistent.

Note 4.1 Operating expenditure		Expected sign	A08CY01 Group including consolidated charity 2019/20 £000
Legal fees	i	+	117
Insurance		+	141
Research and development - staff costs	i	+	25
Research and development - non-staff	i	+	433
Education and training - staff costs	i	+	0
Education and training - non-staff		+	777
Education and training - notional expenditure funded from apprenticeship fund	i	+	280
Operating lease expenditure (net)	i	+	1,903
Early retirements - staff costs	i	+	0
Early retirements - non-staff		+	0
Redundancy costs - staff costs	i	+	0
Redundancy costs - non-staff		+	0
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) on IFRS basis		+	1,329
Charges to operating expenditure for off-SoFP PFI / LIFT schemes		+	0
Car parking and security		+	502
Hospitality		+	28
Other losses and special payments - staff costs	i	+	0
Other losses and special payments - non-staff		+	29
Grossing up consortium arrangements	i	+	0
Other services (e.g. external payroll)		+	285
Other NHS charitable fund resources expended		+	0
Other		+	537
Total operating expenditure		+	257,657

These figures have been added to ‘other’ within the operating expenses note in the accounts.

Costs of the same nature can be grouped together within the accounts e.g. R&D or education and training costs.

Example 2 – fully consistent: expenses of the same nature grouped together in the accounts

In the same extract from the TACs, research and development costs are split out between staff and non-staff costs. However, in the note within the accounts, staff and non-staff costs can be grouped together as research and development rather than shown individually. The same approach can be used for education and training costs, shown in green.

Example 3 – fully consistent: material figure in the TACs disclosed separately in the accounts

There may be figures grouped together in the TACs which are material to a provider and separately disclosed within the accounts. For example, a provider could have a material one-off provision associated with a legal claim. Within the TACs this expense is included in provisions arising in operating expenses, but within the accounts, this would still be included within operating expenses but the provider could also choose to disclose this claim separately in the operating expenditure note or on the face of the SoCI, as shown in the extract below.

Note 4.1 Operating expenditure	Expected sign	A08CY01 Group including consolidated charity 2019/20 £000
Provisions arising / released in year	+/-	1,190
Change in provisions discount rate	+/-	31
Total operating expenditure	+	**257,657**

Consolidated Statement of Comprehensive Income	Note	2019/20 £000
Operating income from patient care activities	3	245,147
Other operating income	4	12,456
Operating expenses	7, 9	(256,557)
Operating expenses: provision arising for XX legal claim	7	(1,100)
Operating surplus/(deficit) from continuing operations		**1,046**

Provisions in TAC Op Exp note includes one-off legal claim provision of £1.1m disclosed separately on the SoCI in the accounts which the Trust considers to be material. The total value of operating expenses remains consistent.

Example 4 – not consistent: incorrect classification in the accounts

Example 3 above details where a provider may choose to disclose a figure separately in the SoCI but is still consistent overall. Where a provider chooses to do this, they must ensure this remains both compliant with the DHSC GAM and consistent with the TACs (which are generally set up to ensure compliance). For example, if a provider discloses their impairments separately on the face of the SoCI but takes it out of operating surplus/deficit to disclose it as non-operating, this is neither consistent with the TACs, nor compliant with the presentation requirements of the DHSC GAM.

Note 4.1 Operating expenditure		Expected sign	A08CY01 Group including consolidated charity 2019/20 £000
Impairments net of (reversals)	i	+/-	1,963
Total operating expenditure		+	257,657

Consolidated Statement of Comprehensive Income

	Note	2019/20 £000
Operating income from patient care activities	3	245,147
Other operating income	4	12,456
Operating expenses	7, 9	(255,694)
Operating surplus/(deficit) from continuing operations		**1,909**
Finance income	12	96
Finance expenses	13	(7,106)
PDC dividends payable		(1,584)
Net finance costs		**(8,594)**
Impairments		1,963
Other gains / (losses)	14	-
Share of profit / (losses) of associates / joint arrangements	24	-
Gains / (losses) arising from transfers by absorption	48	-
Corporation tax expense		-
Surplus / (deficit) for the year from continuing operations		**(4,722)**

The accounts and TACs are inconsistent as they disclose different values for total operating expenses and operating surplus / deficit.

Impairments are required by the GAM to be included in operating expenditure and therefore within the disclosed operating surplus / deficit. Here they have been incorrectly disclosed below operating surplus/deficit and included as non-operating costs.

Consistency between TACs and audited accounts for demised providers

For organisations that demise prior to the end of the accounting period, final period accounts are prepared up the date of immediately preceding the outward transfer of services. TACs are prepared up to 31 March (or 31 December) and therefore include this outward transfer. This is not an inconsistency.

As detailed in Section 5 of these instructions, the demised provider must record the outward transfer of assets and liabilities at the date of demise on ‘TAC30 Transfers’. The balances on ‘TAC03 SoFP’ will be nil with the exception of any surplus PDC which has not transferred (offset by the I&E reserve).

To check consistency between the TACs and accounts for demised organisations, assets and liabilities disclosed at the point of transfer on ‘TAC30 Transfers’ should be compared to the closing SoFP in the provider’s final period accounts. Only where these do not agree should this be considered inconsistent.

Contact us:

NHS England and NHS Improvement
Skipton House
80 London Road
London
SE1 6LH

provider.accounts@improvement.nhs.uk

Follow us on Twitter @NHSImprovement