NHS

NHS trusts and foundation trusts

Trust Accounts Consolidation (TAC) schedules: Completion instructions month 12 2021/22

March 2022

Version: Issued on 23 March to accompany the month 12 PFR form (including TAC schedules)

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: england.provider.accounts@nhs.net

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Dear Colleagues

This document accompanies the release of the Trust Accounts Consolidation (TAC) schedules for month 12 2021/22.

The main things you need to be aware of for month 12 2021/22 are summarised in chapter 2 of this document. This includes a number of updates since month 9.The reporting requirements relating to the pandemic response in 2020/21 (centrally procured items) continue to apply. The relevant form guidance addressing these areas has been retained in chapter 2.

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 2020/21 month 12 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 2020/21. As we did in 2020/21, rows and columns for donations relating to the coronavirus pandemic response are coloured orange and olive green 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 where required to the monthly monitoring tabs. For month 12 the majority of FOT cells are linked to YTD.

At month 12 we issue optional accounts templates which are linked to the month 12 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

The month 12 PFR form (incorporating the TAC schedules) submission dates are (all submissions are due by noon):

- **26 April 2022** (full month 12 submission including agreement of balances (AoB) data)
- **10 May 2022** (resubmission of AoB data)
- **22 June 2022** (full month 12 submission including AoB data)

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

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 2021/22 (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 england.provider.accounts@nhs.net.

2. Key changes to TAC schedules 2021/22 (updates for month 12 in red)

We've issued a separate document with feedback on common errors in the TAC schedules, based on month 9 2021/22. Please refer to this document available at https://www.england.nhs.uk/wp-content/uploads/2022/03/Feedback-on-M9-TACs.pdf

2.1. Main updates

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

2.1.1. Returns of centrally procured equipment for COVID response (unchanged from M9)

The DHSC programme team has been in correspondence with provider directors of finance and regional leads to formalise donation agreements for 2020/21 matters, deal with any residual transfers back, and manage a second round of transfers of items to trusts where requested for 2021/22. As a result, some providers will need to derecognise donated assets that were previously capitalised.

Derecognising donated equipment returned to DHSC

Providers who have returned equipment to the Department of Health and Social Care (DHSC) that was previously recognised as a donated addition should derecognise these in the dedicated row within TAC14. This will populate the loss on disposal in TAC11, which will be excluded from the calculation of adjusted financial performance.

Disposals/derecognition		-
Derecognition - COVID equipment returned to DHSC	i	-
Transfer to FT upon authorisation		-

Where items returned were not previously capitalised because they were below the capitalisation threshold, no entries are required in accounts in 2021/22 to reflect these returns.

Recognising additional assets

Through this process, some providers have also accepted additional assets. Where these are above capitalisation thresholds, they should be recognised in the dedicated additions rows as was the case in 2020/21, following the guidance in section 2.2.2 below.

2.1.2. Mental Health Provider Collaboratives – M12 update in red

The lead provider in the collaborative will sub-contract specialised 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. This applies only to the onward commissioning from <u>other</u> providers. Any commissioning from the trust's own provider arm must be eliminated before preparing accounts.

New rows have been added to Note 1.1 (TAC06) for providers participating in mental health collaboratives. All providers delivering services under these arrangements should recognise income in the first row relating to services delivered. This includes income earned by lead providers where the services have been essentially commissioned from themselves. For a lead provider the counterparty would be the CCG (rather than themselves) and therefore only included in column F. For all non-lead providers, the counterparty would be the lead provider.

Lead providers should use the second row to recognise income related to the commissioning of services from other providers. It should not include any income related to services commissioned from themselves which should instead be eliminated against the associated purchase of services. The net position that results after eliminating internal commissioning is the provider earning income for the provision of services.

Note 1.1 Income from patient care (by nature)			A06CY01	A06CY02	A06CY03
Income within this note is recognised in accordance with IFRS 15		Expected sign	Group before consolidation of charity 2021/22 £000	Of which: Business with NHS FTs 2021/22 £000	Of which: Business with NHS Trusts 2021/22 £000
Mental health services					
Block contract / system envelope income		+			
Services delivered as part of a mental health collaborative	i	+			
Income for commissioning services from other providers as a mental health collaborative lead provider	i	+			
Clinical partnerships providing mandatory services (including S75					

New rows in Note 4.1 on TAC08 (subcodes EXP0102 and EXP0112) have been added to allow the lead provider to record the purchase of healthcare from other providers. Where the lead provider included commissioning in 2020/21 within the existing purchase of healthcare rows, the comparative should be reanalysed for consistency.

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. Such an analysis is likely to show the commissioning and provider activity separately to maintain accountability. Eliminations of internal transactions (ie where the lead provider in the collaborative is commissioning from itself) will form part of the reconciliation between segmental reporting disclosures and the primary statements.

If a provider wishes to go further locally, 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.

2.1.3. Purchase of Healthcare from other NHS bodies (unchanged from M9)

The existing rows within note 4.1 for the purchase of healthcare from other NHS and DHSC group bodies is now restricted to expenditure with NHS trusts and NHS foundation trusts only. This row is specifically for the purchase of healthcare and no other services. We consider that only NHS providers are likely to be providing such services. If you purchase healthcare from any other bodies in the DHSC group, please contract england.provider.accounts@nhs.net.

We are aware that some providers currently record transactions with NHS Blood and Transplant within this row. For consistency across the sector, such purchases should be recorded under 'supplies and services – clinical'.

This counterparty restriction has also been applied to the equivalent mental health collaborative row.

2.1.4. Note 1.1 Income from patient care activities (by nature) – Elective recovery fund (unchanged from M9)

The analysis of patient care income within this note remains a breakdown according to the nature of the contracting arrangements as updated in 2020/21 and set out in 4.1.4. This approach is unchanged for 2021/22. A new row has been added to separate income from the elective recovery fund from income derived from the system envelope as this reflects a system performance-based payment.

2.1.5. TAC22 Provisions – lease dilapidations – New at M12

A new category of provisions has been added to TAC22 to capture existing lease dilapidation provisions held by providers ahead of transition to IFRS 16. Please split out any such provisions the trust holds from 'other' provisions, including prior year movements in the comparative table.

This change does not require restatement in accounts if not already separately disclosed but these amounts provided must be separately identified in the TACs, even where not material.

2.1.6. TAC29 Losses and special payments – Overtime corrective payments (Flowers) – New at M12

Guidance issued for 2020/21 year end asked employers to accrue the cost of the corrective payments and associated income based on the nationally generated estimates.

These payments are out of court settlements and therefore considered special payments. NHS England sought national special payment approval from HM Treasury on local employers' behalf based on national calculations and notified variations. As the losses and special payments note is prepared on an accruals basis (excluding provisions), these amounts should have been disclosed in 2020/21 accounts.

To aid the preparation of the consolidated provider accounts we are now asking trusts to separate out the amounts disclosed in this table for (a) the nationally funded corrective payment and (b) any additional amounts agreed and funded locally.

Where corrective payments were accrued but not disclosed as special payments in 2020/21, providers should consider restating the disclosure within accounts or otherwise disclose the special payment in the current year. The TAC disclosure should match the approach taken in the accounts. If corrective payments were included as provisions rather than accruals in the prior year, it is also now necessary to disclose the special payment in the current year.

To ensure completeness, validation 93 compares the nationally funded payment disclosed (in either current or prior year) against the nationally calculated estimate. The nationally funded payments should be disclosed as a single special payment case (as opposed to one per employee). The same applies to any locally funded payments.

2.1.7. IFRS 16 Leases – M12 update in red

IFRS 16 will apply from 1 April 2022 and will have a material impact on most NHS providers. This means that the disclosure of the expected future impact of the standard under IAS 8 (para 30) required in 2021/22 accounts will be important. You should be aware that:

- The IFRS 16 budgeting forecast information provided in January could be refreshed at year and supplied to external audit along with supporting working papers to support the IAS 8 disclosure within accounts.

- The 2021/22 month 12 TAC form and accounts template contains a pro-forma future impact disclosure. This is in line with the disclosure seen in previous years but the quantified impact is no longer optional and is required to be completed by all providers.

- The quantified impact table should relate to leases only. At the time of issuing these instructions guidance has not yet been published by HM Treasury covering the application of IFRS 16 measurement principles to IFRIC 12 scheme (PFI / LIFT) liabilities. It is NHS Improvement's judgement that the impact of this change on IFRIC 12 liabilities is not reasonably estimable. An example qualitative disclosure for IFRIC 12 liabilities is included in the example accounting policies.

More information on IFRS 16 is available at https://www.england.nhs.uk/financial-accounting-and-reporting/ifrs-16/.

2.2. Key matters from 2020/21 which continue to apply

2.2.1. NHS pension scheme employer pension contributions (TAC09) – no changes from 2020/21 arrangements

The employer contribution rate for NHS pensions increased from 14.38% to 20.68% from 1 April 2019. For 2021/22, 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 prior year 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.

2.2.2. Centrally procured equipment for COVID response

During 2020/21 DHSC and NHS England centrally procured equipment to support the pandemic response which was made available to providers free of charge. These items of equipment are accounted for as donated assets. The detailed 2020/21 year end accounting guidance for such items remains relevant in 2021/22.

Recording donated equipment above the capitalisation threshold

Providers needing to record additional assets received should do so using the dedicated **donated additions** row in the PPE movement note (Note 14.1) on TAC14 which remains highlighted orange for ease of reference.

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	+

The benefit associated with the receipt of these donated assets will automatically be populated into a dedicated rows in other operating income (Note 2.1 on TAC07).

If assets received 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.

Equipment recognised as donated additions in 2021/22 will not be validated (TAC00 has been removed).

Recording in year movements in the measurement of these donated assets

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.

2.2.3. Centrally procured Inventories (personal protective equipment) (Note 19, TAC17)

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 was provided in our 2020/21 year end accounting guidance and this remains relevant for 2021/22. 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.

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 england.provider.accounts@nhs.net.

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	A17CY03A2	A17CY03A3	Maincode
		NHS Code	Purchased by DHSC	Purchased by donating trust	
		2020/21 Text	2020/21 £000	2020/21 £000	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

2.2.4. Income analysis

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. As in 2020/21, block payments derived from system envelopes include income for both patient care activities and any non-patient care activities provided to CCGs or NHS England, as well as any other forms of income the provider would normally receive such as PFI support income.

Providers should continue to allocate income from block payments to relevant categories of other operating income, before recording the balance of the block payment as income from patient care activities.

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

Payment tranche	Recognition in a provider form	Counterparty for agreement of balances
Block (derived from system envelope)	Split between income from patient care activities and other operating income	Respective commissioner per remittance (CCG or region)
CDF, Hep C and cost and volume drugs	INC0200 in Note 1.1 (by nature) and INC1100 in Note 1.2 (by source)	13Q
ERF	INC0331 in Note 1.1 (by nature) and INC1110 in Note 1.2 (by source)	Respective CCG
COVID outside of envelope (e.g. vaccinations, testing)	Retrospective top up (INC1550 & INC1551)	CBA033
Mental Health collaborative income	Where services have been provided INC0235 in Note 1.1	Respective lead provider (for non-lead providers only) Relevant commissioner (lead providers only)
	Where income funded external commissioning (lead provider only) INC0236 in Note 1.1	Relevant commissioner (lead providers only)

2.3. Full list of changes

A full list of changes to the TAC schedules compared to month 9 2021/22 is contained in annex 2a. Annex 2b lists the changes made between 2020/21 month 12 and 2021/22 month 9.

Changes in the form compared to the 2020/21 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, we are also using orange and olive green row colouring for 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

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 2020/21 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 8 March 2022.** 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 but 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 england.provider.accounts@nhs.net **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 1.1 – Income from patient care (by nature)

- The analysis of income from patient care services (by nature) reflects the current nature of contracting arrangements. 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 in their accounts to meet this requirement locally.
    - Block contract / system envelope rows within this note should only be used for the portion of the of the block contract value that relates to the provision of patient care. Any income from block contracts / system envelopes that funds non-patient care activities should be separated out and disclosed on the relevant lines in Note 2.1 Other operating income on TAC07 instead.
    - For acute providers, please note that Other NHS clinical income (INC0210) should only relate to income streams for acute services outside of the system envelope funding.
    - See Chapter 2 for changes in 2021/22 relating to provider mental health collaboratives.

4.1.5. 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 Global Health Insurance Card 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 with the original income recognition if the provider is entitled to the revenue.

4.1.6. 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.

4.1.7. 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.

4.1.8. 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.

4.1.9. 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.

4.1.10.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.

- The figures disclosed in these notes relate to exit packages agreed in the current financial year, in accordance with the GAM / FT ARM. The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been provided for in a previous period. The data in these notes is therefore presented on a different basis to other staff cost and expenditure notes. As the disclosures are of packages agreed in the year, <u>the figures disclosed in these notes cannot be negative.</u>

- 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.

4.1.11.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.

4.1.12.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.

4.1.13.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.
- Movements in centrally procured equipment for COVID response are to be separately identified in this note to facilitate national budgeting adjustments. Designated rows have been added for these movements and are coloured orange for ease of reference. More information is available in chapter 2.

4.1.14.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.

4.1.15.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.

4.1.16.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.

4.1.17.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.

4.1.18.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.

4.1.19.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.

4.1.20.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.

4.1.21.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 england.provider.accounts@nhs.net 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.

4.1.22.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.

4.1.23.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. Below is a summary of how to approach each category in this analysis:

    - **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. 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.

4.1.24.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.

4.1.25.TAC31 / TAC32 – Newly authorised foundation trusts – currently not applicable

- 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.

4.1.26.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.

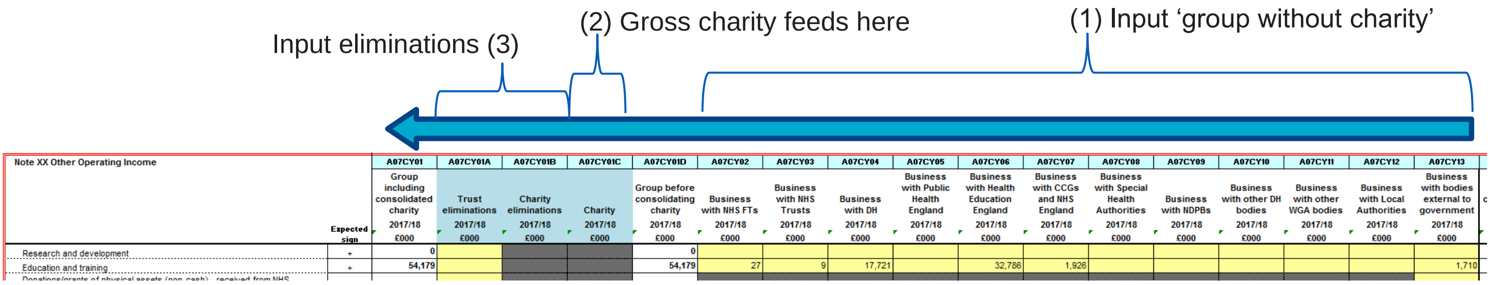
This table should not be used where the funds of a demising charity have transferred into the funds of the provider’s existing charity. This would be recorded as incoming resources in the underlying charity’s accounts.

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 england.provider.accounts@nhs.net 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 M09 2021/22

Tab/Table/Note Affected	Change	Detail
Structural change (new or changed data requirements)		
TAC06 Op Inc 1 – note1.1	New rows	Two new rows have been added to allow providers to record mental health collaborative income. Please see detailed guidance in section 2.1.2 of this document for further details.
TAC07 Op Inc 2 – note 2.1 and table 2B	New row	A new row has been added to table 2B to record reimbursement income from UK Health Security Agency in relation to testing. This feeds into the PHE & UKHSA counterparty column (A07CY05) in subcode INC1310A of note 2.1.
TAC22 provisions - Notes 30.1, 30.2 and table 30B TAC30 Transfers – table 43 B	New columns and rows	A new category of provisions has been added to TAC22 for lease dilapidations. Please analyse out any existing lease dilapidation provisions (even where not material), including prior year movements in the comparative table. A row has also been added to TAC30 to reflect this change for any providers who have undergone an absorption transfer during the year.
TAC29 L&SP – note 42.1	New rows	New rows for the disclosure of overtime corrective payments (flowers judgement) have been added. Please refer to detailed guidance in section 2.1.6 of this document. A new validation (93) also checks the consistency of the nationally funded payments against the nationally calculated estimates.
TAC61 and TAC62 – WGA	Updated	These sheets have been updated to reflect changes to NHS providers and DHSC group bodies since 31 December 2021.
Clarifications (no actual change to existing data requirements)		
TAC10 Op leases – note 7.2	New input restriction	In-cell data validations (current year only) have been added to enforce negative values in ‘total future minimum sublease payments receivable’.
TAC15 Investments & groups – note 17.1	New input restriction	In-cell data validations (current year only) have been added to subcodes IGR0410 and IGR0420 to ensure fair value gains and losses are recorded in the correct rows.

Tab/Table/Note Affected	Change	Detail
TAC28 Disclosures – note 41	Updated	While the data requirements for quantified IFRS estimated impact have not changed, the table is now mandatory for completion by all providers. This table should be completed for leases only and should **not** include IFRIC 12 liabilities (PFI / LIFT). At the time of issuing these instructions, guidance from HMT in relation to the application of IFRS 16 liability remeasurement principles to IFRIC 12 liability has not yet been published and as such quantification of the impact is not reasonably estimable. Please refer to section 2.1.7 of this guidance for more details.
Whole template	Updated	Counterparty column references to Public Health England (PHE) have been updated to include UK Health Security Agency (UKHSA).
Validations and justify or change points		
TAC validations – Validation ~~73~~ 81	Amended	The check has been expanded to ensure free text explanations have been completed against subcodes CAP2680 and CAP2690 in note 3.33 on TAC24 where required.
TAC validations – Validation 90	New	A new validation has been added to the IFRS 16 impact disclosure to ensure depreciation and finance costs on lease are disclosed when a right of use asset value is disclosed and vice versa. Note this was a JoC in the 2020/21 TACs.
TAC validations – Validation 91	New	A new validation has been added to ensure a right of use asset value is disclosed in the IFRS 16 impact table on TAC28 (note 41) when a provider has operating lease commitments exceeding 12 months as at 31 March 2022 in note 7.2 on TAC10.
TAC validations – Validation 93	New	A new validation checks the consistency of nationally funded overtime corrective payments (Flowers) disclosed in the losses and special payments note on TAC29 with the nationally calculated estimate. More information is provided in section 2.1.6 of this guidance.
TAC JoCs – JoC 37	Removed	The check relating to utilisation of 2019/20 clinicians' pension provision has been deactivated for month 12.
TAC JoCs – JoC 59	New	This JoC checks that funded overtime corrective payments have not been omitted from TAC29.

Annex 2b: Changes to TAC schedules since 2020/21 (repeated from month 9)

Tab/Table/Note Affected	Change	Detail
Structural change		
TAC donated equipment checks	Tab removed	This tab is removed for month 9. We are currently considering whether this sheet will be required at month 12 to reconcile returns and further donations of COVID assets.
TAC05 SoCF – table CF4 TAC11 Finance & other – note 9.1 TAC21 Borrowing – note 27	Deleted rows	Unused categories of DHSC loans, including revolving working capital facilities and interim loans have been removed in line with updates to the monthly monitoring return.
TAC06 Op Inc 1 – note 1.1	New row	A new row has been added to the 'by nature' income analysis to record 'Elective recovery fund' income.
TAC08 Op Exp – note 4.1	New rows	New rows have been added to record purchase of healthcare by the lead provider in mental health collaboratives. Where these rows are used, comparatives should be reanalysed to reclassify any amounts included in the existing purchase of healthcare rows in the previous year.
TAC08 Op Exp – note 4.1 TAC11 Finance & other – note 9.1	Formula update	Formulas relating to unwinding of discount or change in discount rate on provisions (subcode EXP0380C (TAC08) and SCI1320 (TAC11)) have been amended to exclude amounts relating to the 2019/20 clinicians' pension reimbursement. This correction is only applied to the current year to avoid restatement of the prior year.
TAC09 Staff – table 5A	New table	Following two years of reduced annual report requirements, the staff sickness disclosure requirement has been reinstated in the 2021/22 GAM. Prior year comparatives are not required and this table in the TACs is not required to be completed at month 9.
TAC11 Finance & other – note 10 TAC14 PPE – note 14.1 & 14.2 TAC02 SoCI – Adjusted financial performance	New rows	New rows have been added to allow providers to record returns, and the associated loss on disposal of COVID assets previously recognised as assets donated by DHSC. The loss on disposal is also excluded from adjusted financial performance on TAC02.
TAC61 to TAC65 – WGA and audit sheet	Updated	These sheets have been updated to reflect changes to NHS providers, DHSC group bodies, local authorities and other WGA bodies since 31 March 2021.

Tab/Table/Note Affected	Change	Detail
Clarifications (no actual change to existing data requirements)		
TAC06 Op Inc 1 – note 1.3	New input restriction	An in-cell data validation (current year only) has been added to enforce positive values in the 'amounts added to credit loss allowances' as only the amount entered should be gross, and not be net of reversals.
TAC08 Op Exp	New input restriction	'Purchase of healthcare from NHS bodies' has been restricted to NHS providers only. It is not expected that entities would be purchasing healthcare from any other bodies in the DHSC group; please contact us if you believe you are.
Validations and justify or change points		
TAC Validations – Validation 22	New	New signage checks have been added to the exit packages note. This is disclosure is of packages agreed in year and therefore cannot contain negative values.
TAC Validations – Validation 92	Amended	The checks on losses and special payments have been amended to check that amounts entered over £300k / £95k respectively are consistent with total losses / special payments disclosed.
TAC JoCs – JoC 25	Amended	This JoC has been amended to take into account movements of COVID equipment donated by DHSC.
TAC JoCs – JoC 34	New	A new check has been added to ensure lease additions are consistent between TAC21 Borrowings and TAC14 PPE.

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.

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.

Other movements

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

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 4.1.6.

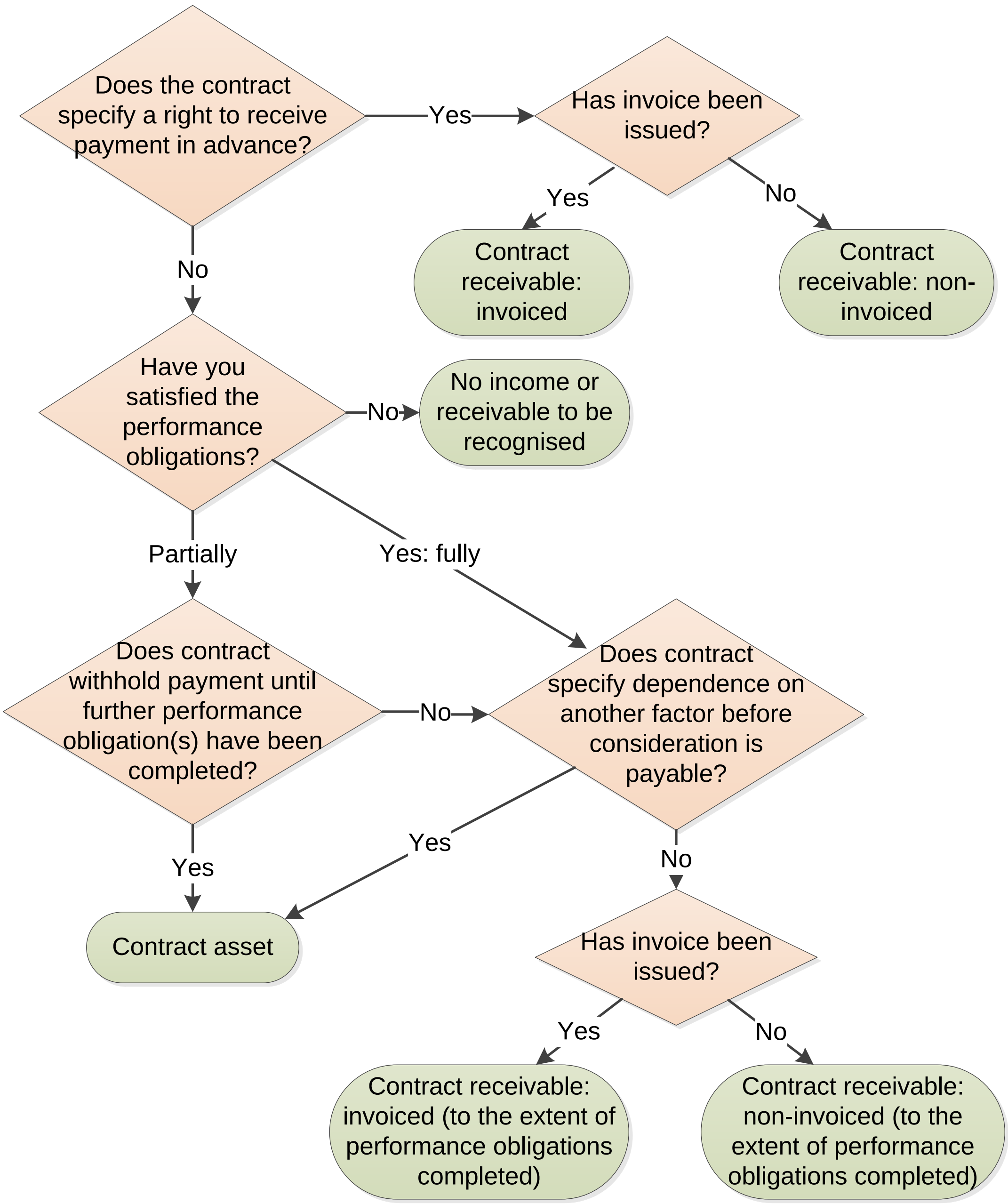
A4.3 Classifying receivables

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 4.1.16 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.

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 or 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 2021/22 and 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	Group including consolidated charity 2019/20 £000
			A08CY01
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

england.provider.accounts@nhs.net

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