NHS trusts and foundation trusts

Trust Accounts Consolidation (TAC) schedules: Completion instructions month 9 2022/23

December 2022

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To: NHS trust and NHS foundation trust finance teams

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Dear Colleagues

This document accompanies the release of the Trust Accounts Consolidation (TAC) schedules for month 9 2022/23.

IFRS 16 is applicable for all NHS bodies for the first time in 2022/23. This standard is applied from 1 April 2022 without restating comparatives. This means **it is really important that providers complete IFRS 16 implementation in the TAC schedules in a specific order** this year. Please read section 2.1.1 which explains this.

Chapter 2 of this guidance continues on to explain key changes to the TAC schedules for month 9 2022/23 that are not related to IFRS 16. Chapter 3 provides detailed guidance for all areas updated to reflect IFRS 16.

As usual, chapter 4 provides important information for anyone new to TACs. Chapter 5 gives guidance on individual notes and tables for you to dip into as required.

A full list of the changes since month 12 2021/22 can be found in annex 2. In the template, rows and tables are coloured purple where there is a new requirement compared to 2021/22. As usual, changes in the template are marked using red text to highlight a changed requirement in an existing row or column and purple shading to highlight new rows, columns, tables or sheets.

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 England

Contents

1. Introduction

1.1. TAC schedules and PFR form

NHS England will prepare consolidated provider accounts using the information provided by providers in the Trust Accounts Consolidation (TAC) schedules. NHS England 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 6).
    d. **For 2022/23 only:** Enter 1 April 2022 implementation adjustments for IFRS 16 on relevant tabs then complete TAC00.
    e. 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 4.2 and chapter 7) 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.

Optional accounts templates which are linked to the month 12 TAC schedules are issued at month 12. 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 9 PFR form (incorporating the TAC schedules) submission dates are (all submissions are due by noon):

- **24 January 2023** (full month 9 submission including receivable and payable agreement of balances (AoB) data)
- **7 February 2023** (month 9 submission of income and expenditure AoB data)
- **24 February 2023** (full month 9 resubmission of income/expenditure and receivable and payable 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 England. 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. Disclosures that can be omitted at month 9

Some disclosures are not required to be completed at month 9. Where this is the case, the tables are clearly marked as not applicable with red headers.

Any validation which relates to disclosures that are not required are coloured grey in the summary on the validations tab and are excluded from the count of validation fails.

TAC	Note/table
TAC07	Note 2.2 Fees and charges
TAC07	Table 2C Total benefit obtained from the apprenticeship levy (memorandum table)

TAC	Note/table
TAC08	Note 4.2 Limitation of auditor’s liability
TAC08	Table 3A Short term leases: commitments for future lease payments
TAC09	Note 5.4 Early retirements due to ill health
TAC09	Table 5A Staff sickness absence
TAC11	Note 8.2 The late payment of commercial debts Act
TAC13	Note 12.3 Range of lives of intangible assets
TAC14	Note 13.6 Range of lives of property, plant and equipment
TAC14	Table 13E Valuation methods for land and buildings
TAC19	Note 23.3 Third party assets held
TAC20	Note 24.2 Early retirements in other payables
TAC22	Note 30.3 Clinical negligence liabilities
TAC22	Note 31 Contingent liabilities / assets
TAC22	Table 31A Contingent assets and liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes
TAC27	Note 36.1 Carrying value and fair value of financial assets
TAC27	Note 36.3 Carrying value and fair value of financial liabilities
TAC27	Note 36.5 Maturity of financial liabilities
TAC28	Note 37.1 Contractual capital commitments
TAC28	Note 37.2 Other financial commitments
TAC28	Note 38.1 / 38.2 Related party transactions and balances
TAC28	Note 39 Events after the reporting period
TAC28	Note 40.1 / 40.2 Breakeven duty This is only applicable to the full year so can be ignored at month 9. This note does not appear in templates issued to NHS foundation trusts.
TAC28	Note 40.3 Capital Resource Limit This is only applicable to the full year so can be ignored at month 9. This note does not appear in templates issued to NHS foundation trusts.

1.4. Supporting guidance and further information

Please refer to the following sources of guidance:

- The Department of Health and Social Care Group Accounting Manual 2022/23 (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 2022/23

2.1. New in year updates

2.1.1. IFRS 16 Leases implementation

IFRS 16 is applicable for NHS bodies from 1 April 2022. In the public sector the standard is implemented using a modified retrospective approach. Implementation adjustments are made on 1 April 2022 without restatement of comparatives. This is a mandated approach for all bodies.

Chapter 3 of this document provides detailed guidance for completing specific new IFRS 16 requirements within the TAC forms. However as a general approach, we recommend completing the TACs in the following order:

1. Step 1: Review pre-populated prior year comparatives as normal.
2. Step 2: Update prior year comparatives for any material prior year errors requiring restatement. Analyse any such changes on TAC33.
3. Step 3: Complete any 1 April mergers / acquisitions on TAC30 (if not pre-populated). This happens before IFRS 16 transition.
4. Step 4: Reclassify existing finance lease assets out of TAC14 and TAC13 and into TAC36 using the dedicated rows on those TACs
5. Step 5: Enter 1 April implementation adjustments directly into TAC36, TAC21, TAC18, TAC22 and TAC04.
6. Step 6: Complete table A on TAC00 to balance the opening balance adjustments. Then complete tables B and C.
7. Step 7: complete all remaining TACs, including consolidation of a charity if applicable. (See guidance section 1.1 above)
8. Step 8: provide additional information relating to assets not recognised on SoFP due to intra-government finance leases on TAC37 if applicable

The application of IFRS 16 measurement principles to PFI, LIFT and other IFRIC 12 liabilities has been deferred for all DHSC group bodies until 2023/24.

Providers should continue to account for PFI and similar liabilities as they have been previously.

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

2.1.2. Completeness and regularity of special severance payments

Exit packages, including special severance payments are required to be disclosed in annual reports and those disclosures also entered (consistently) into TAC forms. Following a review of NHS provider exit package disclosures in 2020/21 and 2021/22 annual reports, some providers were found to have omitted disclosure of one or more non-contractual payments requiring HM Treasury approval.

In consideration of the completeness and regularity of payments included in the TAC forms, two new JoCs have been added. These checks compare non-contractual payments disclosed against a central list of approved applications sent to NHS England. Where these do not agree, providers are expected to follow up internally within the trust to understand whether the payments have been locally agreed / paid and require disclosure.

2.1.3. NHS foundation trust and NHS trust counterparty columns

Following the commencement of the Health and Social Care Act, Monitor's previous responsibility for preparing separate consolidated NHS foundation trust accounts has fallen away. Consequently it is no longer necessary to differentiate between transactions and balances with NHS trusts and NHS foundation trusts in the TAC forms. The two previous counterparty columns have now been merged into a single 'Business with NHS providers' column.

2.1.4. Other notable counterparty changes

From 2022/23 the Medicines and healthcare regulatory authority (MHRA) is consolidated within the DHSC group. MHRA is an executive agency of DHSC so balances and transactions with MHRA should be recorded in the same column as UKHSA (previously the PHE column). Accordingly, MHRA has been moved from TAC63 other WGA bodies to TAC62 NHS and DHSC.

Supply Chain Coordination Limited is now consolidated into the NHS England group accounts. As such, any transactions or balances with the SCCL corporate entity should be recorded under the NHSE & CCG/ICB column. Note this does not apply to transactions with NHS Supply Chain which should continue to be recorded as expenditure with bodies external to government as explained in the AoB guidance.

2.2. Full list of changes

A full list of changes to the TAC schedules compared to month 12 2021/22 is contained in annex 2.

Changes in the form compared to the 2021/22 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. Implementation of IFRS 16

3.1. Introduction

Section 2.1.1 of this document gives a recommended approach to completing the TAC schedules in light of IFRS 16 implementation. This chapter specifically deals with the impact of IFRS 16 on the TAC schedules. It does not offer accounting guidance or give a full list of disclosure requirements for IFRS 16. The TACs focus on what is expected to be material at a national group level. TACs also collect additional information for group level consolidation adjustments which may not be local accounts requirements but must still be completed in the TACs.

3.2. Changes and additions to TAC schedules

3.2.1. TAC00: Table A IFRS 16 transition adjustments (SoFP) at 1 April 2022

This table summarises the opening balance adjustments for IFRS 16, by counterparty, and will feed tab '5a. IFRS 16' in the monitoring section of the form. Before completing this table the following entries should be made directly into asset movements note within the TACs:

- Step 1 – reclassify existing financed leased PPE and intangible assets from TAC13 and TAC14 to TAC36. There are dedicated rows for this reclassification adjustment on the 1 April.

- Step 2 – enter opening balances adjustments for existing operating leases directly into movements notes on the following tabs using the dedicated rows:

    - TAC36 (right of use assets)
    - TAC15 (right of use assets classified as investment properties)
    - TAC21 (lease liabilities)
    - TAC18 (lease receivables recognised for subleases reclassified as finance leases)
    - TAC22 (existing onerous lease provisions reclassified as an impairment to the right of use asset)
    - TAC04 – (impact on reserves from peppercorn leases, initial direct costs capitalised on transition, initial impairments or immaterial differences on subsidiaries (see 3.2.17).

- Step 3 – for any onerous lease provisions adjusted on 1 April 2022 or reserve entries on TAC04, allocate the provision adjustment to the correct lease counterparty on TAC00 Table A.
- Step 4 – balance each counterparty column in Table A by entering any working capital movements which do not have balance sheet movements notes. These adjustments would relate to repaid or accrued lease payments or lease incentives previously deferred in other liabilities.

3.2.2. TAC00: Table B Reconciliation of operating lease commitment at 31 March 2022 to lease liabilities under IFRS 16 at 1 April 2022

This table addresses the transition disclosure requirements in paragraph C12(b) of the standard and was first completed by providers in the October 2022 transition submission. This table has been updated to address feedback from October.

Liabilities under PFI schemes are not IFRS 16 lease liabilities so are not part of this disclosure.

Step 1 – discounting the IAS 17 operating lease commitments:

The first section of this table (subcodes TRA0010 to TRA0050) deals with discounting the operating lease commitments disclosed under IAS 17 at 31 March 2022:

- Operating lease commitments from 2021/22 audited TACs have been pre-populated into TRA0010.
- Some providers may have made an error in their counterparty analysis for this disclosure in 2021/22. TRA0030 allows providers to correct the counterparty analysis if required to ensure commitments and subsequent liabilities are disclosed against the correct counterparty type. Any adjustments on this row are required to net to nil. This is not a prior period adjustments row – see step 2 below.
- These commitments should be discounted to present value locally using the HM Treasury published incremental borrowing rate of 0.95% and entered into TRA0050.

An update to the GAM will confirm that where absorption transfers happen on 1 April 2022, the absorption transfer should be recorded before IFRS 16 transition: this will mean divested and received book values will continue to agree.

Step 2: reconciling the discounted commitment to the lease liability after transition:

The next two sections are for providers to quantify the impact of differences between the discounted IAS 17 commitment and the post-transition lease liability. This includes removing items that would have been included in commitments but are not IFRS 16 liabilities as well as adding in additional amounts that are included in the liability but would not have been disclosed as a commitment under IAS 17.

- Providers are not expected to require all of these rows. We have sought to split out as many reconciling differences as possible to aid understanding and consolidation. Not all circumstances will apply locally.
- If your local circumstances give rise to a reconciling item not listed please contact england.provider.accounts@nhs.net so we can consider whether an additional row is required in the template (either by fixer or at month 12).
- **Please note** – as the opening commitment is discounted in step 1, these reconciling items will also need to be discounted for consistency. If this is not done, the disclosure will not cast.
- A row is included for adjusting the impact of immaterial errors in the 31 March IAS 17 commitments disclosure. Providers are not expected to restate prior year disclosures for immaterial errors therefore such amounts should be disclosed as reconciling items. If you have discovered a material error in your prior year operating lease commitments disclosure please discuss this with your auditor: these can be recorded in this row (as they will be immaterial nationally) where agreed locally.

Existing IAS 17 finance leases are not amended on transition to IFRS 16. Where these include variable lease payments that vary in line with an index or rate that were previously not part of the lease liability under IAS 17, these will now fall within the lease liability under IFRS 16. These will only be included when the liability is remeasured following the next change in lease payment: this is not a transition adjustment.

Once complete, the closing balance on this table should be the 1 April 2022 lease liability immediately after IFRS 16 transition. This is before the impact of any new leases commencing on 1 April: these are in-year movements in TAC schedules. The closing balance is validated against the opening rows in the lease liability note on TAC21.

3.2.3. TAC00: Table C Right of use assets at 1 April 2022

This table reconciles the post-transition lease liability calculated in table 1 to the right of use asset value recognised on SoFP at the same point in time. Providers must apply paragraph C8(b)(ii) on transition therefore reconciling items between the lease liability and the right of use asset value upon transition are expected to be limited to:

- peppercorn leased assets recognised at valuation which are not included in the lease liability
- adjustments for prepaid and accrued lease payments and lease incentives previously recognised in working capital
- initial direct costs (only if providers have not exercised the practical expedient in C10(d))
- impairments of right of use assets at the date of initial application
- right of use assets not recognised on SoFP due to the sublease being reclassified as a finance lease
- the difference between the asset value and lease liability at 31 March 2022 on existing finance leases.

No adjustments to the right of use asset value for dilapidation provisions are made on transition (see section 3.2.10) therefore this is not included in the table.

The closing balance on this table is validated against right of use assets on 1 April in TAC36 and TAC15.

While this reconciliation is not required to be disclosed in accounts by IFRS 16, it is required for consolidation adjustments at a national level. Providers may wish to include this in local transition disclosures if it adds value to a reader of the accounts.

3.2.4. TAC36 RoU assets: right of use assets

TAC36 provides the balance sheet movements notes for right of use assets, which feeds into a separate line item on the statement of financial position. Given it is a separate SoFP line item (rather than being part of PPE) we have given this a separate TAC number rather than link its number to TAC14. However the tab is still grouped together with other non-current asset notes: this is why TAC36 is out of numbering order. An alternative treatment we considered was to renumber TAC11 and TAC12 (and the maincode references of all data within those tabs). We assessed this would create burden for some entities where they have TAC mappings built into other working papers. We welcome your feedback: we could take a different approach to numbering TAC36 at month 12 if desired by the majority.

The movement note for right of use assets is conceptually similar to TAC14 PPE, but with some important differences as explained below. Paragraph 53 of IFRS 16 requires analysis by class of underlying asset. Information is also required by counterparty grouping to support national eliminations. The sheet is therefore structured around five separate input tables split by counterparty groupings for input, with a summary table at the top.

The first step in each table is creating the 1 April 2022 opening balances: this will be done at the same time as completing TAC00 for transition. ROU0035 and ROU0036 (cost) and ROU0225 (accumulated depreciation) will reflect 1 April right-of-use asset values as described.

The remainder of the note is then structured to be conceptually similar to TAC14 PPE, but please note:

- amounts relating to peppercorn leases are separated out because of the different government budgeting treatment, akin to donated PPE assets: the associated non-cash gain on recognition is fed into TAC07. There is an additional table (table 14F) to identify any right of use asset impairments that relate to peppercorn leased assets

- under IFRS 16, initial measurement of the right of use asset starts with the initial measurement of the lease liability, together with the adjustments listed in paragraph 24 of the Standard. These components of the right of use asset addition must be split out in the specified rows on TAC36 which mirror paragraph 24.

- movements in the lease liability arising from subsequent remeasurement specified in paragraph 36(c) of the standard are reflected in the value of the right of use asset (ROU0096). Please refer to paragraph 4.968 of the DHSC GAM for guidance on when the cost model can serve as a proxy to the current value in use or fair value of the right of use asset

- capitalised dilapidation provisions are entered primarily on TAC22 Provisions: those are fed into TAC36 and default into the property column. Please allocate these provisions into the other classes of assets as appropriate: property is then the balancing figure here, less amounts moved into TAC15 for investment properties.

If the Trust has a right of use asset under a headlease as a lessee but is then the intermediate lessor under a sublease arrangement, then if the sublease is treated as an operating lease the Trust continues to have the right of use asset on its balance sheet. If the sublease is treated as a finance lease, the right of use asset arising from the headlease is derecognised. Rows ROU0173-ROU0176 are used for derecognition in such cases. If the finance lease sublease ends and the right of use asset comes back on balance sheet, this can be reflected in ROU0081-82.

3.2.5. TAC15 Investments (investment properties)

Paragraph 48 of the Standard requires right of use assets that meet the definition of investment property to be presented as investment property. Note 15 on TAC15 for investment property therefore has an additional column for right of use assets classified as investment property.

Again, because of the requirements of the national consolidated accounts, we need to know the counterparty grouping for where the assets are leased from. Right of use assets in investment properties are therefore entered into a separate table (table 15A) which then feeds into note 15. The analysis of rows in table 15A is largely the same as for right of use assets in TAC36: please refer to the guidance above.

3.2.6. TAC37 Lessors additional info

This sheet must be completed (and only completed) by providers who are lessors of intra-government finance leases. Intra-government includes NHS providers, other DHSC group bodies, other WGA bodies and local authorities. If the Trust is not the lessor of a finance lease with one of these bodies then this tab can be ignored.

Consolidation adjustments in the consolidated provider accounts and DHSC group accounts will involve removing all intra-group right of use assets and reinstating any assets derecognised by lessors in intra-group finance leases. This will ensure assets leased between group bodies are recognised only once at a group level at the correct value (the underlying asset value, or head-leased right of use asset value for eliminated subleases). We therefore need to collect additional information from lessors in intra-group finance lease arrangements in relation to the derecognised underlying assets: at a national level these will be ‘put back’ as owned assets or right of use assets where subleased. We are also collecting this information for assets finance leased to local authorities and other WGA bodies to ensure this information is available for consolidation adjustments in the whole of government accounts when needed.

This sheet contains four tables:

- Table 37A – this is a movement note for **owned assets** which have been derecognised under intra-government finance leases. This largely reflects the same movements seen in a PPE movement note with the exception of the additions and disposals rows. These are highlighted blue to indicate they differ – they relate to movements on and off the balance sheet. At the bottom of the table there is a summary of the revaluation surpluses associated with that asset. This will include any revaluation surpluses transferred to the I&E reserve when the asset was removed from the balance sheet.

- Table 37B – this is a movement note for **right of use assets** which have been derecognised under intra- government finance subleases. Where the headlease is with a body outside of the national group but the right of use asset has been derecognised as a subleased finance lease with an intra-group body, nationally the sub-lessee right of use asset will be removed, and the intermediate body's right of use asset restored. This table largely reflects the same movements you will see on TAC36, with the exception of the additions and disposals rows. Again these are highlighted in blue text to indicate that they differ. Similarly a summary of any revaluation surpluses is at the bottom of the table.

- Table 37C collects additional information on impairments that would need to be recognised in the national outturn when these assets are reinstated on consolidation. Any impairments entered in tables 37A and 37B will populate in this table for further analysis.

- Table 37D collects the financing information for the book value of any PPE assets included in 37A. This will ensure PPE disclosures are complete once assets are reinstated on consolidation.

Any existing assets (owned or right of use) finance leased to intra-government bodies should be included in bright green 31 March 2022 rows.

Any subleased right of use assets which are reclassified as finance leases on transition to IFRS 16 so do not appear on the SoFP, should be entered into LSO1070 and LSO1310.

Any new or terminated leases during the year will result in assets moving on or off this sheet from/to TAC14, TAC36 or TAC15. These movements between TACs are validated to ensure that no government controlled assets are lost on consolidation.

User-definable columns

In order to drive consolidation adjustments, for each off-SoFP asset it is necessary to know (1) what asset class it falls into, (2) who the asset is leased to; and (3) who the asset is leased from (for subleased right of use assets only). Were these tables to have a column for each possible combination they would be dozens of columns wide. To avoid this each column is instead user-definable given we don't expect the disclosure to be a common occurrence. Providers can group assets together and select the relevant options in the top rows of Table 37A and 37B. It is expected that most providers will not need to use more than 2 or 3 columns.

In the examples below, the provider has the following finance leased assets which are no longer on the trust balance sheet:

1. The trust owns a building which it leases to another NHS provider. This lease commenced in January 2018 and was classified as a finance lease on inception. If the asset was still on the trust's balance sheet it would incur £24k of depreciation this year.
2. The trust leases 5 vehicles from a commercial company. It previously used these vehicles but in June 2022 decided to outsource some services and subleases the 5 vehicles to two neighbouring NHS trusts. The subleases have been assessed as finance leases.
3. The trust leases a building from NHS property services. One wing of the building is subleased as office space to NHS England. The sublease commenced in March 2019 as an operating lease but was reassessed as a finance lease on transition to IFRS 16.

Example 1:

Table 37A - Underlying PPE and intangible assets derecognised under intra-government finance sub-leases			A37CY01	A37CY02	A
These 'groupings' are user definable. Group leased assets together and select the relevant asset class and who the asset is leased to in the two rows below		Expected sign	Total 2022/23 £000	Finance lease grouping 1 2022/23 £000	Fina gr 2
Finance lease counterparty - who it is leased to (select from dropdown)				NHS provider (FT/Trust)	
Asset class (select from dropdown)				Buildings	
Valuation / gross cost of assets not recognised on SoFP due to existing intra-government finance leases 31 March 2022		+	2,400	2,400	
Transfers by absorption	i	+/-	0		
Assets derecognised from PPE under new finance lease		+	0		
Additions - subsequent expenditure that would have met the definition of capital had the asset remained on the Trust's SoFP		+	0		
Impairments charged to operating expenses		-	0		
Impairments charged to the revaluation reserve		-	0		
Reversal of impairments credited to operating expenses		+	0		
Reversal of impairments credited to the revaluation reserve		+	0		
Revaluations	i	+/-	0		
Reclassifications (limited to this table only)		+/-	0		
Asset re-recognised on SoFP at end of lease term or upon lease termination		-	0		
Disposals/derecognition (leased asset sold without bringing asset back on SoFP)		-	0		
Valuation/gross cost at 31 December 2022		+	2,400	2,400	
Accumulated depreciation of assets not recognised on SoFP due to existing intra-government finance leases 31 March 2022		+	800	800	
Transfers by absorption	i	+/-	0		
Provided during the year		+	24	24	

Examples 2 and 3:

Table 37B - Underlying RoU assets derecognised under intra-government finance sub-leases These 'groupings' are user definable. Group sub-leased assets together and select the relevant asset class, who the asset is leased from and who the asset is subleased to in the three rows below	Expected sign	A37CY21 Total 2022/23 £000	A37CY22 Sublease grouping 1 2022/23 £000	A37CY23 Sublease grouping 2 2022/23 £000
Headlease counterparty - who it is leased from (select from dropdown)			External to Government	Other DHSC group body
Sublease counterparty - who it is leased to (select from dropdown)			NHS provider (FT/Trust)	Other DHSC group body
Asset class (select from dropdown)			Transport equipment	Property (land and buildings)
Valuation / gross cost of assets not recognised on SoFP due to existing intra-government sublease (finance lease) 31 March 2022	+	0		
Subleased assets reclassified as finance subleases on implementation of IFRS 16 and derecognised	+	605		605
Transfers by absorption	+/-	0		
Assets derecognised from RoU assets under new finance subleases	+	150	150	
Right of use assets never recognised on SoFP as finance sublease was granted simultaneously - lease liability	+	0		

3.2.7. TAC10X IAS 17 comparatives

IFRS 16 is implemented from 1 April 2022 without restatement of comparatives. Consequently, comparatives in accounts will be on an IAS 17 basis. The format and content of these comparative notes differs to some of the IFRS 16 disclosure requirements so for simplicity, all IAS 17 comparative notes have been moved to a single sheet.

These notes are pre-populated. Unless there are material prior period errors requiring restatement then providers should need to make any further entries in this sheet.

3.2.8. TAC18 Receivables: finance lease receivables

Note 22.1 is an updated maturity analysis for finance lease receivables. Note the maturity categories for the undiscounted future lease receipts (gross lease receivables) is specified in paragraph 94 of IFRS 16. This differs to maturity analysis previously applied under IAS 17. The carrying value of the net lease receivable is then split between current and non-current. Refer to section 3.3 for details on why the current portion is split further for agreement of balances.

Note 22.2 is a movement note for lease receivables. This meets the requirement for a quantitative analysis of the movement in the net lease receivable in paragraph 94 of the standard. Remeasurements and interest arising feed into TAC11. Lease receipts received now feeds directly into the cash flow.

Table 22A requires some further analysis of prior year finance lease current receivables for the purposes of agreement of balances. More guidance is given in section3.3.

Table 20A collects the movements in the allowance for uncollectable lease payments included in table 22.1 (credit loss allowances for finance lease receivables). Any amounts included in ‘arising’ and ‘reversed’ will feed into operating expenditure on TAC08.

3.2.9. TAC21 Borrowings: lease liabilities

Note 28.1 is the maturity analysis required by paragraph 58 of the Standard. Unlike finance lease receivables, the standard directs the preparer to follow IFRS 7 in determining appropriate time bandings for this analysis. In line with other financial instrument disclosures the analysis of gross lease liabilities is unchanged from prior year. Net lease liabilities is split between current and non-current. Refer to section 3.3 for details on why the current portion is split further for agreement of balances.

Note 28.2 is a movement note for lease liabilities. This has been split out from the table of movement in liabilities arising from financing activities in order to apply a full counterparty split. Cash outflows entered into this note now feed directly into the cash flow statement. Similarly interest arising on the liability in year feeds directly into finance costs on TAC11. Lease additions and lease liability remeasurements are validated against the right of use asset note or a sublease receivable. Please ensure that the counterparty classification of lease liabilities matches that of the right of use asset.

Table 28A requires some further analysis of prior year finance lease current receivables for the purposes of agreement of balances. More guidance is given in section3.3.

3.2.10.TAC22 Provisions: lease dilapidation provisions

Paragraph 24(d) of IFRS 16 requires an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms of the lease to be reflected in the measurement of the right of use asset. New lease dilapidation provisions are therefore capitalised. The entry for these is in TAC22 which feeds into TAC36 for right of use assets. Note that they feed into the ‘property’ column in TAC36 by default; after entry in TAC22 movements in capitalised dilapidation provisions need to be allocated by class of underlying asset in TAC36 (ROU0097-ROU0099 in each counterparty table) or to right of use investment properties in TAC15 (IGR0065).

To aid preparation of the national consolidated accounts, information is needed on which counterparty grouping the lease relates to for capitalised dilapidation provisions. Entry in TAC22 is therefore in table 30A which is split by counterparty; this then feeds on a summary basis into note 30.2.

In preparation for IFRS 16 we asked providers to separate existing lease dilapidation provisions into their own category in TAC22 in 2021/22. Dilapidation provisions previously provided for and charged to revenue are not affected by the implementation of IFRS 16. Entries in column M for revenue dilapidation provisions will therefore reduce over time. Any leases that existed before 1 April 2022 will become IFRS 16 leases on transition: therefore any newly arising dilapidation provisions will be capitalised under IFRS 16 requirements to reflect them in the right of use asset measurement.

3.2.11.TAC23 Reval Res – revaluation reserve

In applying the revaluation model for right of use assets (per paragraph 35 of the Standard: see paragraph 4.965 of the DHSC GAM), right of use assets may be revalued in line with the principles applied to owned property assets. This is likely to occur where the cost model under IFRS 16 does not function as an appropriate proxy for current value in existing use or fair value. Paragraph 57 of IFRS 16 requires additional disclosures where right of use assets are held at revalued amounts; this includes information on the revaluation reserve per paragraph 77(f) of IAS 16.

For balances relating to right of use assets, table 32A is split by lease counterparty to facilitate adjustments in the national consolidated accounts.

3.2.12. TAC14 PPE

Note 13.5 should be completed to identify the net book value of PPE assets which are subject to an operating lease (trust as lessor). This is split by leasing counterparty (who is the asset leased to). Such assets are not expected to be material at a national level therefore only book value is being collected. Paragraph 95 of IFRS 16 requires the PPE note to be split between assets subject to operating lease and asset not subject to operating lease. If assets leased to other entities under operating leases are material locally, the trust may need to provide more detailed disclosures in its own accounts.

Table 13F collects an additional split of PPE assets derecognised upon commencement of a new finance lease (trust as lessor). Such disposals are split in this table between those leased to other bodies and those leased to external to government. Assets derecognised upon being leased to other government bodies are expected to be transferred to TAC37. See section 3.2.6 for more details.

3.2.13.TAC07 Op Inc 2 – Operating lease income

Operating lease income entered into note 2.1 is now split between minimum lease receipts and variable lease receipts to meet the disclosure requirements of 90(b).

Separately paragraph 53(f) requires income from subleases to be disclosed which will be a subset of this income. A secondary analysis of operating lease income is therefore collected in Note 2.3.

Note 2.3 also collects the maturity analysis of future operating lease receipts. Please note that the maturity bandings are defined in IFRS 16 paragraph 97 and differ to those previously used under IAS 17.

3.2.14.TAC08 Op Exp – Lease expenditure

Lease expenditure recognised in expenditure under IFRS 16 will include lease payments for short term leases, leases of low value assets, variable lease payments. These amounts charged to expenditure are separately disclosed within operating expenditure in order to meet the requirements of IFRS 16 paragraph 53 (c,d,e).

Amounts recognised in expenditure will also include irrecoverable VAT payable. As this does not form part of the lease payment but is a government levy, this cost can be mapped to other expenditure lines such as premises in local accounts instead.

For short term leases, paragraph 55 of IFRS 16 also requires entities to disclose future commitments for short term leases if the portfolio of short-term leases to which it is committed is dissimilar to the portfolio of short-term leases for which amounts are charged to expenditure in the current year. In order to assess how material this disclosure is at a group level, all providers are required to complete this disclosure in the TACs for 2022/23 but is not required at month 9.

3.2.15.TAC11 Finance & other – Note 9 Other gains and losses

New gains/losses on disposal categories have been added to separate gains / losses relating to leasing activity and gains losses relating to sales (or other disposals) of assets. Please ensure the correct row is used when derecognising any assets.

Where the derecognition relates to leasing activity (new finance leases for a lessor or lease terminations for a lessee) then the gain or loss must also be entered under the correct counterparty. This counterparty analysis is used centrally for consolidation adjustments only. Gains and losses on disposal are not included in the reconciliation to agreement of balances data. These transactions do not fall within the agreement of balances exercise.

3.2.16.TAC05 SoCF – statement of cash flows

The following additional rows have been added to the investing activities to reflect leasing cash flows that are not within operating surplus / deficit.

- cash outflows (lessee) for capitalised initial direct costs and up front lease payments at inception or commencement of the lease
- cash inflows (lessee) for the receipt of cash lease incentives which reduce the value of the right of use asset addition
- cash outflows (lessee) for any termination fees paid on early termination of a lease. This row is only required where the fee for termination was not included in the calculation of the lease liability (e.g where there was no option to terminate in the contract)
- cash inflows (lessor) for finance lease receipts. This includes both interest and principal and this row is fed from the new note for movements in finance lease receivables on TAC18. In previous years these cash inflows would have been split between interest received and the movement in receivables in operating activities. Restatement of the prior year is not required but may be done optionally for consistency where desired.

3.2.17.Consolidation of subsidiaries

Some NHS providers have subsidiaries that have applied IFRS 16 since 1 April 2019. In preparing group accounts, the public sector IFRS 16 initial application date of 1 April 2022 should be applied to all leases, including those within the consolidated subsidiary. In practice, unwinding 3 years of IFRS 16 accounting on subsidiary leases is likely to be burdensome and the impact of this additional work will continue in future years until the leases expire.

For most preparers of group accounts, the impact of the difference in initial application date is unlikely to be material to the local group position. To relieve considerable burden, entities should consider not aligning the initial application dates on consolidation and instead accept an immaterial unadjusted error in the auditor’s audit completion report (issued under ISA 260). Local bodies should estimate the impact of this and discuss with local audit.

Where this approach is taken there will be a difference between the right of use asset and lease liability on 1 April 2022. There may also be a small revaluation reserve balance or dilapidation provision to consolidate. If the approach of not aligning implementation date is taken, there are dedicated rows for the differences on subsidiary consolidation that can be unlocked on request. Please email england.provider.accounts@nhs.net.

3.2.18.Consolidated NHS charitable funds

NHS charitable funds prepare accounts under the charities SORP which does not currently align with IFRS 16 for lease accounting. When preparing local group accounts, accounting policies should be aligned and be compliant with the GAM.

This means that any leases within charities should be converted to an IFRS 16 basis before consolidation. Providers should consider the materiality of any leases within the charity before taking that step. Right of use assets has been added to TAC40 to facilitate this however detailed lease disclosures are not required in the TACs for consolidated charity funds as they will not be material at a national level.

Some providers may have leasing arrangements between the Trust and its consolidated subsidiary. These arrangements will fall into one of six categories. The following table sets out the recommended approach in the TAC forms.

Trust (IFRS 16)	Charity (not IFRS 16)	TAC consolidation approach
Lessor – operating lease	Lessee – operating lease	Continue to eliminate charity expenditure against trust income before applying IFRS 16 to the charity.
Lessor – operating lease	Lessee – finance lease	n/a – there are currently no lease arrangements of this nature disclosed between trusts and consolidated charities.
Lessor – finance lease	Lessee – operating lease	
Lessor – finance lease	Lessee – finance lease	
Lessee	Lessor- finance lease	
Lessee	Lessor – operating lease	This arrangement results in double counted assets on consolidation. Within the TACs, the trust and charity numbers should be recorded gross (double counting the asset). There is then functionality within the TAC forms to record consolidation adjustments. This is only visible to providers who require it. We are currently aware of only two providers who are recognising right of use assets leased from a consolidated charity: • Royal Berkshire NHS Foundation Trust • Salisbury NHS Foundation Trust If you have an arrangement of this nature please request the functionality be unlocked by emailing england.provider.accounts@nhs.net

		The approach to consolidation should be: • Cash flows within the trust should be eliminated against charity income. • All other trust lease accounting entries should be unwound (e.g depreciation reversed, additions reversed, unwinding of interest reserved etc…) This will result in a change in the consolidated outturn compared to the sum of the two organisations.

3.3. Agreement of balances

[Drafting note: in a change from the version of this guidance issued on 8 December, this section has been moved to give it more prominence. There is no change to the guidance.]

The agreement of balances process will continue to include invoices relating to leasing activity within the year. Income and receivables statements issued (or received and reconciled) should therefore include invoices for lease payments relating to 2022/23 regardless of how that lease arrangement is accounted for locally. Accruals statements issued by receivable bodies (ie including activity as a lessor) should include accrued income for operating leases as well as any finance lease receipts that relate to the current year but have not yet been invoiced.

The reconciliation between agreement of balances information (agreed invoices) and accounts counterparty information has been updated for IFRS 16.

For receivables and payables (borrowings):

The closing balance on lease liabilities and finance lease receivables is split as follows on TAC18 (note 22.1) and TAC21 (note 28.1):

Note 28.1 Lease liabilities - maturity analysis	Expected sign	A21CY01 Total 31 Dec 2022 £000	A21CY02A Leased from other NHS providers 31 Dec 2022 £000	A21CY04 Leased from DHSC 31 Dec 2022 £000	Le 3
Undiscounted future lease payments payable in:	+				
- not later than one year;	+	0			
- later than one year and not later than five years;	+	0			
- later than five years.	+	0			
Total gross future lease payments	+	0	0	0	
Finance charges allocated to future periods	-	0			
Net lease liabilities	+	0	0	0	
Of which:					
- Current - invoiced / due but not yet paid (included in AoB)	+	0			
- Current - not yet invoiced / not relating to current year (excluded from AoB)	+	0			
- Non-Current (excluded from AoB)	+	0	0	0	

The amount that is invoiced or due but not yet paid should relate to unpaid lease payments covering 2022/23. Where these have been invoiced (or accrued) they should remain disclosed in lease receivable / lease liability on the SoFP and not moved to accruals or other receivables. They are separated out here and included in the agreement of balances reconciliation as they are expected to be included in the notified or accrued totals in your AoB schedules.

The amounts that are ‘non-current’ or ‘current – not yet invoiced’ relate to future years’ lease payments and are out of scope for agreement of balances. Amounts that have been invoiced and are current liabilities but do not relate to the current year will also be excluded from agreement of balances.

For income and expenditure:

Depreciation, interest charges and provisions expenditure will continue to be excluded from agreement of balances as they are not trading transactions. The counterparty totals at the bottom of TAC07 (for lessors) include amounts invoiced and accrued for operating leases and variable lease payments for finance leases. TAC08 (for lessees) includes amounts invoiced and accrued for low value, short term and variable lease payments.

When reconciling to the AoB tabs, in-year lease payments for on-SoFP leases (lessee) and finance leases (lessor) are also added. These amounts are calculated from (1) the cash payments made or received in year per the movement notes on TAC18 and TAC21 and (2) the movement in the portion of the current receivables / liability that relates to the current year (invoiced or accrued) that is not yet paid.

As this is the first year of this change to the reconciliation process, TAC18 and TAC21 additionally ask providers to split out the current lease liability / finance lease receivable as at 31 March 2022 in order to calculate the movement.

Table 28A Additional analysis of prior year current lease liabilities (for agreement of balances)	Expected sign	A21PY01 Total 31 Dec 2022 £000	A21PY02A Leased from other NHS providers 31 Dec 2022 £000	A21PY04 Leased from DHSC 31 Dec 2022 £000	A21F Lease UKH MH 31 De £0
Carrying value at 31 March 2022 - as submitted in 21/22 TACs	+	0			
Of which:					
- Current - invoiced but not paid (included in AoB)	+	0			
- Current - not invoiced at year end / not relating to 2021/22	+	0	0	0	

4. Reminder of key principles

4.1. 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 2021/22 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 the provider accounts team contacted your trust in the prior year in relation to an error identified in your TAC schedules, the adjustments agreed with you have been reflected in your populated comparatives. **Any such central changes for your specific trust are explained in the email from Provider Accounts dated 9 December 2022.** Please review this email for details; we ask you to not change the figures back without talking to us (Provider Accounts) first.

4.2. Approach to charities

Some NHS providers consolidate an NHS charity into their accounts under the requirements of IFRS 10. Section 7 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 7 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.

4.3. 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.

5. 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.

5.1.1. 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.

5.1.2. 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.

5.1.3. 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 7 for more details.

5.1.4. 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.
    - Mental Health Provider Collaborative rows income should be recorded gross and any commissioning from the providers own provider arm must be eliminated before preparing accounts. All providers delivering this service should record the income against INC0235 and lead providers should record the income from other providers against INC0236.

5.1.5. 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/ICBs 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.

5.1.6. 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.

5.1.7. TAC08 Op Exp

- Purchase of healthcare from other NHS and DHSC group bodies is restricted to expenditure with NHS trust, NHS foundation trusts and Wiltshire Health and Care (this is within the business with other DHSC bodies column). If you purchase healthcare from any other bodies in the DHSC group, please contact england.provider.accounts@nhs.net.

- Expenditure with NHS Blood and Transplant should be recorded under ‘supplies and services – clinical’.

- Mental health collaborative expenditure should not include internal transactions (ie where the lead provider in the collaborative is commissioning from itself).

- 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.

5.1.8. 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.

5.1.9. 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.

5.1.10.TAC09 Staff: employer pension contributions

- The employer contribution rate for NHS pensions increased from 14.38% to 20.68% from 1 April 2019. Since then 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.

5.1.11.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, the figures disclosed in these notes cannot be negative.

- 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.

5.1.12.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 11B allows the user to elect to override this default if desired.

5.1.13.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.

5.1.14.TAC14 PPE: Note 13.1

- 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.

5.1.15. TAC14 PPE: Centrally procured equipment for COVID response (orange rows)

- These assets procured centrally to support the pandemic response are 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 2022/23. Rows subcodes PPE0085 and PPE0086 are for recording new additions. 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.

- 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 13C) on TAC14, specific columns should be completed to identify depreciation and impairments charges related to these assets. The closing net book value of the assets should be separated out from other donated assets in the financing analysis of PPE in Note 13.3 on TAC14.

5.1.16.TAC14 PPE: Table 13E 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.

5.1.17.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.

5.1.18.TAC17 Inventories: centrally procured inventories (personal protective equipment) – green rows

- 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.

- 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.

- '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.

5.1.19.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.

5.1.20.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.

5.1.21.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.

5.1.22.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.

5.1.23.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.

5.1.24.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.

5.1.25.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.

5.1.26.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 <u>not</u> 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.

5.1.27.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 6 of this document for further guidance.

5.1.28.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.

5.1.29.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.

6. 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 42A 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 42B 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 42C 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 42C 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.

7. How to consolidate a charity into the TAC schedules

Different types of charities and approach to consolidation

Section 4.2 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

The 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 England 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 <u>before</u> 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.

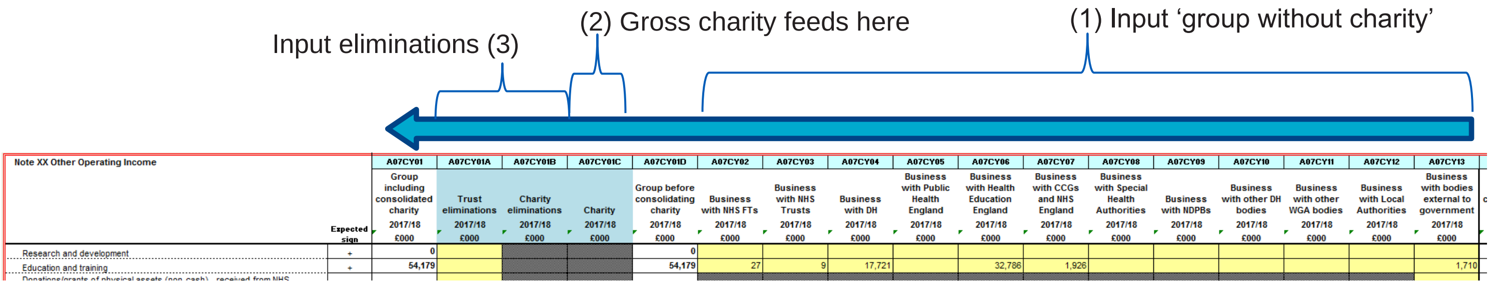
This table should not be used where the funds of a demising charity have transferred into the funds of the provider's existing charity. This would be recorded as incoming resources in the underlying charity's accounts.

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: Consider if IFRS 16 leasing elimination adjustments are required between Trust and consolidated charity

As this is new from 2022/23, this is explained in section 3.2.18 of this document.

Step 5: 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 4.2, 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 2: Changes to TAC schedules since 2021/22

Tab/Table/Note affected	Change	Detail
IFRS 16 changes		
TAC00 – IFRS 16 Transition	New tab	A new tab added for 2022/23 detailing opening balance adjustments and transition disclosures under IFRS 16.
TAC01 Confirmations	New question	A new confirmation question has been added following implementation of IFRS relation to sale and leaseback transactions.
TAC02 SoCI	New row	New row added to exclude the gain recognised on new peppercorn leases from adjusted financial performance.
TAC03 SoFP	New row	New financial statement line item added for right of use assets
TAC04 SoCIE	New row	New row added for 1 April 2022 IFRS 16 implementation adjustments.
TAC05 SoCF and TAC05A SoCF MI rec	New rows added	New rows added for the following leasing cash flows: • Initial direct costs or up front lease payments capitalised in the right of use asset • Receipt of cash lease incentives • Lease termination fees paid (where not included in the lease liability) • Finance lease receipts Cash outflows for capital and interest elements of lease liability payments are now fed directly from the lease liability movement note on TAC21.
TAC05 SoCF – Table CF1	New rows	• New rows added to exclude the 1 April 2022 IFRS 16 implementation adjustments from the movement in working capital. • New row added to exclude the movement in finance lease receivables from movement in receivables for operating cash flows. New row added to exclude capitalised dilapidation provisions from the movement in provisions for operating cash flows.
TAC05 SoCF – Table CF2	New row	• New row added to exclude finance lease interest from interest received (finance lease receipts separately disclosed)
TAC07 Op Inc 2 – Note 2.1	New rows	New row added for the recognition of gains on peppercorn leased assets. • Operating lease income split between minimum lease receipts and variable lease payments

Tab/Table/Note affected	Change	Detail
TAC07 Op Inc 2 – Note 2.3	New table	New note added for operating lease income and future operating lease receipts (maturity analysis) as required by IFRS 16.
TAC08 Op Exp – Note 3.1	New rows	New rows have been added for lease expenditure under IFRS 16 (short term, low value, variable lease payments and unrecoverable VAT)
TAC08 Op Exp – Table 3A	New table	New table added for future lease payments committed on short term leases
TAC10 Operating leases	Deleted sheet	This sheet has been removed following the implementation of IFRS 16. IAS 17 comparatives for 2022/23 accounts have been moved to TAC10X (see below)
TAC11 Finance & other – Note 7	Formula	Interest income for finance leases is now fed from the finance lease receivable movement note on TAC18
TAC11 Finance & other – Note 8.1	Formula	Interest cost on leases is now fed from the lease liability movement not in TAC21
TAC11 Finance & other – Note 9	New rows	New rows have been added for: • Gains / losses on derecognition of PPE or RoU assets on creating of new finance leases (lessor) • Gains / losses on lease terminations (ordinary and peppercorn) A counterparty split has been added for eliminating gains and losses on intra-group leasing transactions.
TAC12 Impairment – Table 11A and Table 11B	New rows	New sections have been added to both tables for impairments of right of use assets. These are split by the lease counterparty.
TAC13 Intangibles – Note 12.1	New rows	New rows added to enter 1 April 2022 adjustments to reclassify cost and accumulated amortisation of existing finance leased intangibles to right of use assets on TAC36.
TAC14 PPE – Note 13.1	New rows	New rows added to enter 1 April 2022 adjustments to reclassify cost and accumulated depreciation of existing finance leased PPE assets to right of use assets in TAC36.
TAC14 PPE – Note 13.5	New table	New table to analyse book value of PPE between assets subject to an operating lease (trust as lessor) vs assets utilised by the trust. This includes a leasing counterparty analysis for assets subject to an operating lease.
TAC14 PPE – Table 13F	New table	New table added for additional analysis of assets derecognised under new finance leases – analyse between intra-government and external to government leases.

Tab/Table/Note affected	Change	Detail
TAC36 RoU Assets	New sheet	This is a new sheet collecting information on right of use assets. It contains right of use asset movements notes (one input table for each counterparty type and a summary table) and an additional table to analyse any impairments to peppercorn leased assets. Detailed guidance on this new tab is given in section 3.2.4
TAC37 Lessors – additional info	New sheet	This is a new sheet collecting information on underlying assets from lessors of intra-government finance leases. Detailed guidance on the tables in this sheet is given in section 3.2.6
TAC10X IAS 17 comparatives	New sheet	This is a new sheet containing IAS 17 basis comparative disclosures for the leases in one place. This includes the comparative finance lease receivable and finance lease payable notes which have been moved from TAC18 and TAC21 respectively.
TAC15 Investments & groups – Note 15	New column	A new column has been added for right of use assets which are classified as investment properties. This feeds from a new input table at the bottom of the sheet (see below).
TAC15 Investments & groups – Table 15A	New table	A new movements note for right of use assets classified as investment properties. This is split by headlease counterparty (who the investment property is leased from).
TAC18 Receivables – Note 20.1	New row	The 'current finance lease receivable' row has been split into two to aid reconciliation of accounts data to agreement of balances data. Further guidance is provided in section 3.3.
TAC18 Receivables – Note 22.1	New table	New table added for the maturity analysis of gross finance lease payments receivable with a reconciliation to the net investment in the lease. This is a revised format that meets the disclosure requirements of IFRS 16.
TAC18 Receivables – Note 22.2	New table	New table added reconciling movements in finance lease receivables. Movements in this note feed finance income (interest) and the cash flow.
TAC18 Receivables – Table 22A	New table	New table requiring the re-analysis of prior year current finance lease receivables between amounts invoiced or due as at 31 March 2022 and current amounts relating to the next financial year. This information is required for the agreement of balances reconciliation. More guidance is given in section 3.3.
TAC18 Receivables – Table 20A	New table	New table for the movement in allowance for uncollectable finance lease receipts (credit loss allowance for finance lease receivables).

Tab/Table/Note affected	Change	Detail
TAC20 Payables – Note 25	Updated rows	Lease incentives rows in this note should now relate to short term and low value leases only. Cash lease incentives received for other leases are recognised as a reduction in the right of use asset value.
TAC21 Borrowings – Note 28.1	New table	New table added for the maturity analysis of gross lease payments payable with a reconciliation to the net lease liability.
TAC21 Borrowings – Note 28.2	New table	New table added reconciling movements in lease liabilities. Movements in this note feed finance expenditure (interest) and the cash flow and are validated against movements in the right of use asset value.
TAC21 Borrowings – Table 28A	New table	New table requiring the re-analysis of prior year current finance lease payable between amounts invoiced or due as at 31 March 2022 and current amounts relating to the next financial year. This information is required for the agreement of balances reconciliation. More guidance is given in section 3.3.
TAC21 Borrowings – Note 29.1	New rows	New rows added to the reconciliation of liabilities arising from financing activities for IFRS 16 implementation adjustments on lease liabilities and lease liability remeasurements. The finance lease column in this note is also now fed from the new note 28.2
TAC22 Provisions – Note 30.1 / Note 30.2	New rows / columns	A new category of provision has been added for capitalised dilapidation provisions. This is separate from the existing dilapidation provisions which were previously charged to revenue and are unaffected by IFRS 16 transition.
TAC22 Provisions Table 30A	New table	A new input table has been added for the entry of capitalised dilapidation provisions. This is split by the counterparty of the lease to which the provision relates. Amounts arising/reversed and changes in discount rate are fed directly to the right of use asset note. This feeds into Note 30.2 above.
TAC23 Reval reserve – Table 32A	New rows / columns	New columns have been added to the revaluation reserve analysis for right of use assets measured under the revaluation model. These revaluation surpluses are split by leasing counterparty. New rows have also been added for the transfer of revaluation surpluses relating to existing finance leased assets out of the intangible and PPE columns. An additional row for subsidiary consolidation is available to be unlocked on request.
TAC30 Transfers	New rows	Rows available for absorption transfers have been updated to reflect new movements notes and changes to movements notes throughout the TACs.

Tab/Table/Note affected	Change	Detail
TAC07, TAC08, TAC18, TAC20, TAC50	New rows	Reconciliation of counterparty analysis to AoB data included on TAC61 to TAC64 updated for in-year lease payments. For more detail see section 3.3.
Other changes		
TAC06 Op Inc 1 – note 1.2	New row	A new row has been added to capture income from patient care (by source) from Integrated Care Boards separately to income received from CCGs.
TAC28 Disclosures – note 37.1 Financial commitments TAC34 Free text	Freetext requirement added	Freetext is now required to provide further information for financial commitments in excess of £10m.
TAC29 Losses and special payments – overtime corrective payments (Flowers)	Rows removed	Rows separately disclosing overtime corrective payments have now been removed. Any cases disclosed in 2021/22 have been mapped to ‘other employment payments’ within comparatives.
TAC29 Losses+SP – note 42.2 recovered losses (2021/22 reference)	Table removed	This information is no longer collected on the basis of materiality but it may still be applicable in local accounts.
Various tabs	Columns merged	NHS trust and NHS foundation trust counterparty columns in all notes containing a counterparty split have been merged into a single business with NHS providers column.
TAC62 WGA – NHS and DH TAC63 WGA – Other WGA bodies	MHP033 reclassified	Medicines and Healthcare products Regulatory Agency has been reclassified into an executive agency. See section 2.1.4 for more details. Other changes made to TAC61-64 reflect changes to DHSC or other government bodies.
Validations and justify or change points (including IFRS 16 changes)		
TAC Validations – validations 90 & 91 TAC JoCs - JoC 57 & 58 (2021/22 references)	Checks removed	Checks relating to the IAS 8 disclosures for the estimated future impact of IFRS 16 have been removed.

Tab/Table/Note affected	Change	Detail
TAC Validations – validations 93 & 167 TAC JoCs - JoC 59 (2021/22 references)	Checks removed	Checks previously relating to the disclosure of overtime corrective payments have been removed.
TAC Validations – validations 1 to 7	New checks	New checks added relating to accurate completion of TAC00 - IFRS 16 Transition
TAC Validations – validation 27	New check	Following the merge of the NHS trust and NHS foundation trust columns, total patient care income from NHS providers is now validated between notes 1.1 and 1.2 instead of formula driven.
TAC Validations – validation 38	New check	Checks that losses on termination of peppercorn leases match the net book value of the asset derecognised. This replicates an existing PFR form validation.
TAC Validations – validation 46	Amended check	Check updated to include new leased disposal rows (assets derecognised upon creation of new finance leases (trust as lessor)
TAC Validations – validations 55 to 61	New checks	New checks relating to the accurate completion of new TAC36 Right of use assets.
TAC Validations – validations 62 - 75	New checks	New checks relating to the accurate completion of new TAC37 Lessors – additional info
TAC Validations – validations 76 - 77	Amended checks	Checks updated to include new column for RoU assets classified as investment property on TAC15.
TAC Validations – validations 89 - 92	New checks	New checks added relating to the accurate completion of new finance lease receivable disclosures on TAC18.
TAC Validations – validations 96, 97, 101	New checks	New checks added relating to the accurate completion of new lease liability disclosures on TAC21.
TAC Validations – validation 98	Check amended	Check updated following addition of new lease liability movement note.
TAC Validations – validation 107	Check amended	Check updated to include revaluation surpluses on right of use assets measured using the revaluation model.
TAC Validations – validation 136	Check amended	Check updated for providers eliminating right of use assets leased from a consolidated charitable fund.
TAC Validations – validations 141 – 160 and 164 - 183	Checks amended	Checks updated to reflect the revised agreement of balances reconciliation which takes into account lease payments/receipts relating to the current year, irrespective of local accounting treatment. Detailed guidance on changes to this reconciliation is included in section 3.3.

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

Building on the additional guidance provided in section 5, 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 - 2022/23		Expected sign	A21CY01 Total liabilities from financing activities 2022/23 £000	A21CY14 DHSC loans 2022/23 £000	Maincode / Subcode
This disclosure is a requirement of IAS 7 (paragraph 44A)					
Carrying value at 1 April 2022 - brought forward		+	0	0	BOR0440
Cash movements:					
Financing cash flows - principal	i	+/-	0	0	BOR0470
Financing cash flows - interest (for liabilities measured at amortised cost) - excludes contingent rent for PFI	i	-	0	0	BOR0480
Non-cash movements:					
Impact of implementing IFRS 16 on 1 April 2022		+/-	0		BOR0465
Transfers by absorption		+/-	0	0	BOR0500
Additions		+	0		BOR0510
Lease liability remeasurements		+/-	0		BOR0515
Business combinations (not absorption transfers) (unlocked on request)		+/-	0		BOR0520
Interest charge arising in year (application of effective interest rate)	i	+	0		BOR0530
Change in effective interest rate		+/-	0		BOR0540
Changes in fair values		+/-	0		BOR0550
Early termination	i	-	0		BOR0555
Other changes (freetext required)	i	+/-	0		BOR0570
Carrying value at 31 December 2022		+	0	0	BOR0580

Total borrowings (current and non-current) from Note 27 Borrowings 0

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.

Lease / PFI obligations

This disclosure for leases is entered by counterparty which feeds into this summary table. The principles for lease liabilities and PFI liabilities are similar.

Note 29.1 Reconciliation of liabilities arising from financing activities - 2022/23			A21CY01	A21CY19A	A21CY20	Maincode
This disclosure is a requirement of IAS 7 (paragraph 44A)		Expected sign	Total liabilities from financing activities 2022/23 £000	Leases 2022/23 £000	PFI, LIFT and other service concession obligations 2022/23 £000	Subcode
Carrying value at 1 April 2022 - brought forward		+	0	0	0	BOR0440
Cash movements:						
Financing cash flows - principal	i	+/-	0	0	0	BOR0470
Financing cash flows - interest (for liabilities measured at amortised cost) - excludes contingent rent for PFI	i	-	0	0		BOR0480
Non-cash movements:						
Impact of implementing IFRS 16 on 1 April 2022		+/-	0	0		BOR0465
Transfers by absorption		+/-	0	0	0	BOR0500
Additions		+	0	0		BOR0510
Lease liability remeasurements		+/-	0	0		BOR0515
Business combinations (not absorption transfers) (unlocked on request)		+/-	0	0		BOR0520
Interest charge arising in year (application of effective interest rate)	i	+	0	0	0	BOR0530
Change in effective interest rate		+/-	0			BOR0540
Changes in fair values		+/-	0			BOR0550
Early termination	i	-	0	0		BOR0555
Other changes (freetext required)	i	+/-	0	0		BOR0570
Carrying value at 31 December 2022		+	0	0	0	BOR0580

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 date in the contract.

Increases in the liability

- Additions – a new PFI liability arising in year is a non-cash movement and should be entered in BOR0510
- Interest arising in year – for PFI this feeds from the TAC11 finance costs note, excluding contingent rents. For leases, the total entry in TAC21 feeds into TAC11 as it is entered by counterparty on TAC21.

  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 obligation. This is validated against the borrowings / lease liabilities 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 the provider accounts team 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 5.1.6.

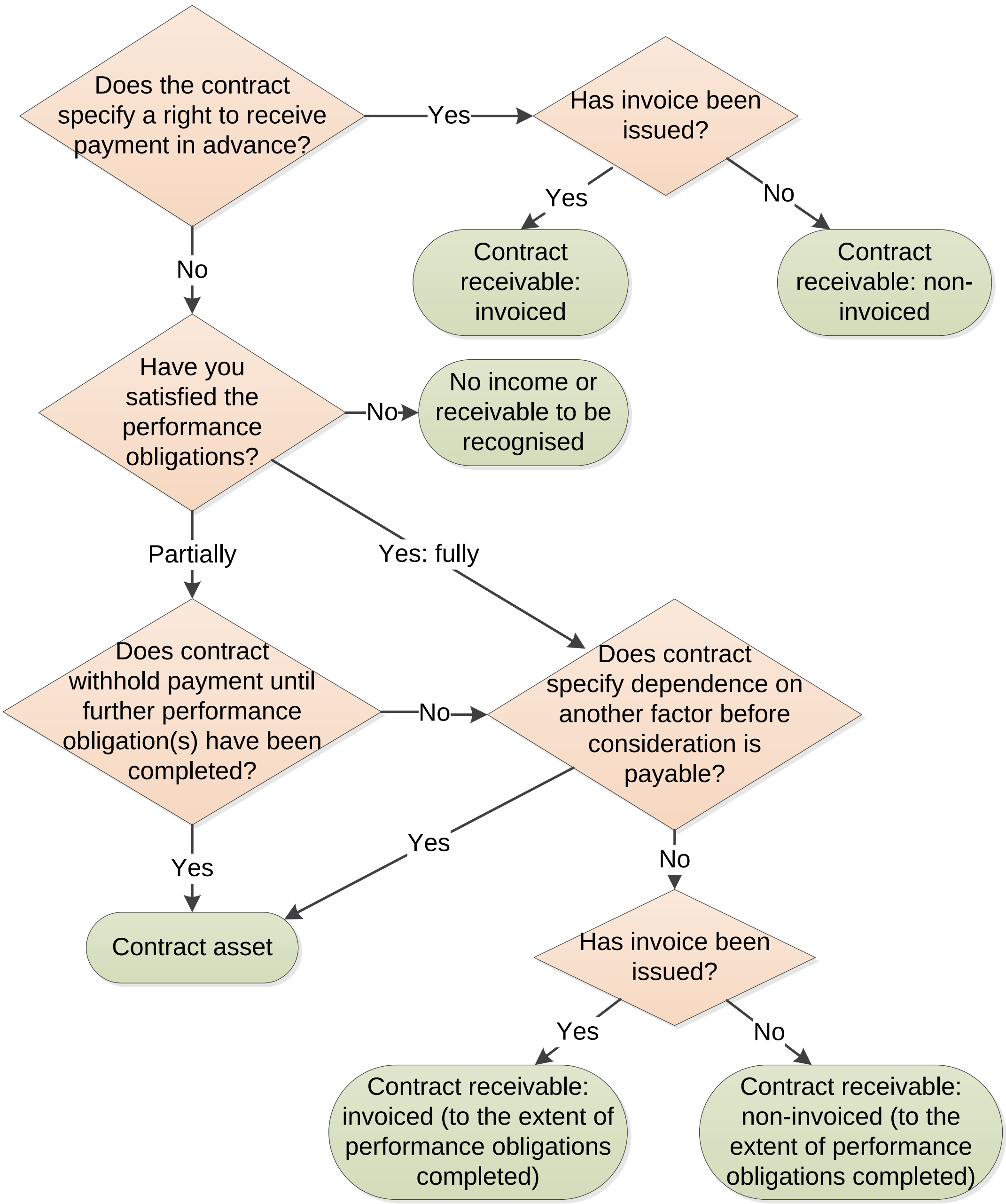
A4.3 Classifying receivables

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 5.1.18 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 the provider accounts team 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 is the presentation of centrally-procured inventories in the inventory note

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

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

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

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

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

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

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

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

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

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

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

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

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

Example 4 – not consistent: incorrect classification in the accounts

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

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

Consolidated Statement of Comprehensive Income		
		2019/20
	Note	£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.

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