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NHS Improvement

NHS England

Agreement of Balances Guidance 2016-17

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Agreement of Balances Guidance 2016-17

Prepared by Department of Health, NHS England and NHS Improvement

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Introduction to the Guide

This guide is designed to provide practical guidance for the completion of the Department of Health (DH) Accounting Group Agreement of Balances exercises.

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

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

- **Receivable organisation -** this is the organisation sending the invoice/is carrying the trade receivable/is receiving the income (i.e. the supplier or provider) unless using net accounting (see section 6 and/ or Appendix 4)
- **Payable organisation –** this is the organisation receiving the invoice/carrying the trade payable/recording expenditure (i.e. the purchaser or commissioner unless using net accounting (see section 6 and/ or Appendix 4)

The definitions apply when referring to both Payables/Receivables and Income/Expenditure agreements.

For the purpose of this guidance document, the "national bodies" means the Department of Health, NHS Improvement and NHS England **see section 7 of this guidance for the processes to follow in agreeing balances with NHS England and its entities**.

1 What is AoB?

1.1. The Department of Health (DH) is required to consolidate the accounts of all organisations falling within the accounting boundary, as expanded by the Constitutional Reform and Governance Act 2010 (HM Treasury's alignment legislation). Under International Financial Reporting Standard 10 (IFRS10) paragraph B86 consolidated statements should "…eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group".

1.2. The AoB process seeks to identify all income and expenditure, transactions and payable and receivable balances that arise from the contracts for the provision of goods and services between group bodies (i.e. intragroup), to allow for accurate elimination of these transactions and balances within the Consolidated Departmental Account and for the preparation of the Department's Whole of Government Consolidation Return to HM Treasury. NHS Improvement (Monitor) and NHS England also eliminate transactions and balances between their group bodies in preparing their sector specific consolidated accounts.

1.3. Additionally, it forms an essential part of an organisation's financial management ensuring that an organisation's payable and receivable balances are correct.

1.4. Agreement of Balances is currently completed three times a year at Q2, Q3 and Q4. The Q2 exercise is for receivables and payables only and does not include agreement with local authorities and other government departments. It is used to highlight any issues between organisations and facilitate a resolution in advance of the Q3 exercise. At Q3 and Q4 agreement with both local authorities and other government departments is required as it will form part of the consolidated accounts**.**

1.5. The exercise completed at Q3 contributes to the Department of Health Consolidated Interim (Draft) Accounts that are produced. The exercise looks to agree both outstanding payables and receivables and income and expenditure for the year to date, As well as providing figures for the interim (draft) accounts, any issues arising since Q2 can be addressed, for resolution before year-end. It also provides an indication of any issues which DH and consolidating entities may need to resolve in preparation for year-end.

1.6. The exercise completed at Q4 contributes directly to the year-end production of the NHS Foundation Trust sector, NHS England and Department of Health Consolidated Final Accounts. Since 2015-16, this exercise now includes an Income and Expenditure agreement exercise (incorporating a £2m de minimis threshold for sending out statements and undertaking agreements). Accruals statements should be sent and discussions should take place and wherever possible agreed, although formal agreement of accruals is not required.

2 AoB Best Practice

From discussions with the NHS, the following examples of best practice have been identified:

2.1. ***As a receivable body, provide as much information as possible*** – by issuing the statements with adequate information, as set out in section 3, the payable body will be better able to identify amounts that may be outstanding, and this will assist in the resolution of problems that may arise when agreeing balances.

2.2. ***Send the statements to the correct contact*** – issuing the statements to the contact listed will ensure that the correct person in the agreeing body receives the statement. Organisations should also quote their organisation code in the subject line of the email. Please note the process for sending statements to NHS England as per section 7 of this guidance. Statements must be issued on time and in accordance with the timetable available on DH.gov.uk.

2.3. ***Wherever possible conduct correspondence electronically*** – issuing and responding to statements by email allows more time for agreement. Statements should also be issued in excel format.

2.4. ***As a payable body, respond to the statement as soon as possible*** – statements should be returned as soon as possible to the receivable organisation (quoting your NHS organisation code in the subject line of the email), especially where balances are not fully agreed. This will allow more time for resolution of problems.
In addition, where the payables organisation is including a balance which the receivables organisation may not be expecting (e.g. accruals during Q2/Q3, converting a negative payable to a receivable etc.), it is good practice to inform the receivable body as this will enable them to either match your treatment or explain any remaining variance.

2.5. ***Complete the exercise within the agreed deadlines*** – deadlines are agreed in advance of each exercise by DH and its National Bodies to give participants adequate time to complete their parts.

2.6. ***Do not chase for statements or response until the deadline has passed*** – To allow organisations time to complete their exercise within the deadlines it is requested that they are not “chased” for responses before the deadline has passed. Priority must be given to those balances within the remit of the exercise.

2.7. ***Complete the data collection forms correctly*** – to enable DH and its National Bodies to see the overall balance for elimination, and to be able to correctly determine where variances exist, it is important that balances are recorded in the correct part of the collection templates. This is especially important at Q4 when the AoB forms must agree to the accounts information submitted at the same time. Further details can be found in section 5.

Balances should not be adjusted erroneously; especially when being asked to resubmit balances when material variances occur. In no circumstances should balances be adjusted simply to bring a variance under the tolerance set – see sections 8 & 9. **Such manipulations actually serve to increase the total mismatch across the sector and increase the likelihood of there being additional AoB processes and resubmissions.**

2.8. ***Provide reasons for adjustments where requested*** – where collection forms provide freetext cells to record why any material adjustment balance has been included, please provide those explanations. It will save time at year-end if this could be completed upon the first submission of balances. The freetext explanations can enable the Department to make central adjustments and or justify the impact of the mismatch to Department's auditors, reducing the need for further resubmissions.

Further Reading – HfMA Practical Guide

2.9. In 2014, HfMA published a very helpful and detailed practical guide to agreement of balances in the NHS. Organisations may wish to refer to this as an additional guide for establishing best practice. The guide is available from the HfMA website (http://www.hfma.org.uk/).

2.10. However, for clarity and in case of query, the guidance in this document (issued by DH and its national bodies) takes precedence.

3 Creating and Sending Statements

Creating the Statement

3.1. The issued statement should contain sufficient information to allow the payables organisation to identify invoices that have been issued (I&E) or are outstanding (Rec & Pay) by the receivable organisation up to and including the final invoicing date. The ***minimum*** requirement for a statement is:

- The date the invoice was issued
- The invoice number
- The total amount of the invoice
- The amount of the invoice which is unpaid (Rec & Pay)
- The name of the receivables body the agreement is with.
- The name of the payable body the agreement is with
- I&E Only – whether the balance is considered Admin or Prog (see section 6)
- A contact phone number for queries and disputes

3.2. Additionally, it is helpful if the statements include purchase order numbers relating to the invoices, a description as to what the charge is for, the name of the contact within the agreeing organisation who had commissioned the service being provided and whether the invoice is being treated as a recharge. A description is particularly important when a purchase order number isn't included or when the charge is included on the accruals statement at Q4.

3.3. Where a statement includes an invoice that relates to a future period, this should be identified on the statement. If neither party is accruing for this in the period (for example a month 10 invoice issued in advance during month 9), this should be identified on the statement so that both parties can adjust the item out in the 'adjustment' column in order to achieve consistency with the ledger balance.

Other Good practice points identified

3.4. As most payables organisations keep a log of the balances they have been sent to agree in preparation for balance collection, statements should be issued in excel format by email, quoting your NHS organisation code in the subject line of the email.

3.5. Scanned images should be avoided in all cases as they are difficult to manipulate and transfer into excel. The issue of statements in PDF format should be avoided where possible as it is time consuming to extract the information in the PDF file to use within spreadsheets.

When statements should be sent

3.6. As there is a requirement to **record all balances** with a counterparty, regardless of whether the balance is below the de minimis levels for

agreement (see section 5), statements should be issued in the following circumstances:

- Income statements should be issued in all circumstances at Q3 where the year to date total gross balance is greater than £10k. Balances below this level may be issued if the receivable organisation chooses to do so. At Q4 the de minimis level is £2m.
- Receivables statements should be issued in all circumstances where the outstanding balance is £2.5k or above. Balances below this level may be issued if the receivable organisation chooses to do so.
- Nil balances should not be issued in any circumstances – if the payables organisation thinks they should have a balance with the receivable organisation, it is up to them to discuss the issue with the receivables organisation after the deadline for statement issue has passed.

3.7. Statements containing balances for multiple payables entities should not be issued in any circumstances. A separate statement should be completed for each payables body. Refer to NHS England Guidance at section 7.

3.8. One statement should be sent per organisation, to ensure the correct balance is recorded on collection. Therefore, where the receivable organisation has multiple customer accounts for a single entity, or they are hosting services (as defined in section 6), a statement of all balances should be issued, with the exception of NHS England (see section 7 for more information).

3.9. Where an NHS Trust becomes an NHS Foundation Trust part-way through the year, it is necessary to send statements to the appropriate body. For example, if a Trust becomes an FT on 1 March, at Q4 Dr/Cr statements should be sent to the NHS Foundation Trust only, but where income statements are sent, these should be sent to the organisation with which the transaction took place (see 7.34-7.37 for further information).

Accruals Statements

3.10. At the year-end, an additional accruals statement is sent, to capture the accruals that organisations will have made during their year-end processes. It is vital that there is sufficient information on the statements to allow approval of the balances, particularly if invoices are raised late or not at all.

3.11. Accruals statements should include the same level of information as the usual statements. Accruals statements should include the following:

- April dated invoices that relate to goods and services delivered in the previous financial year.
- Any further payments received since the cut-off point and the end of the accounting period provided in the AoB timetable.
- Accruals for goods or services provided during the year for which an invoice has not been issued.
- Any other receivable or payable balances (including prepayments and deferred income) for trading balances in the current financial year that you

would expect to include as part of your final balance. This should include non-invoiced income including grants.

3.12. Where material balances need to be estimated, the receivable organisation should ensure that the statements include as much detail as possible on the estimation technique/ methodology to allow the agreeing body to recognise and include a matching accrual in their own accounts.

3.13. It is important that all accruals are raised, and statements issued in order that both organisations reflect the correct expenditure and income in the appropriate year to avoid timing differences and allow the transactions to be eliminated within the group account.

Issuing the Statements

3.14. The Department (as a separate AoB body with its own trading and balances) issues its statements via email. Statements relating to payables and receivables for organisations within the NHS England group will be issued by NHS Shared Business Services. Statements relating to income and expenditure are produced locally. Please see section 7 of this guidance in respect of statements for NHS England group bodies. Statements should be issued in accordance with the timetable available on DH.gov.uk.

3.15. From Q3 2016-17 contact lists will be circulated by your national body and are updated prior to each agreement exercise.. Organisations should, wherever possible, use generic email addresses as these are less likely to change. It is also therefore extremely important that both payable and receivable organisations check the contact list for their sector thoroughly and update their details whenever the persons completing the agreements exercise changes. Failure to do this will result in potential mismatches being left unresolved. Contact changes should be passed to the sectors' national body, clearly denoting this as an AoB contacts change. Any revisions to future contact lists will be highlighted in yellow, so organisations need to ensure they have the latest version prior to each exercise. ***(Submissions for changes should not be sent directly to DH).***

3.16. A general update of the contacts list is undertaken in advance of each agreement of balances exercise. Contact lists are provided for DH and the DH Arms Length Bodies and are updated with the same regularity as the NHS Group contacts.

3.17. The contact lists are password protected, in order to try and reduce the number of unsolicited emails organisations have been receiving. The password will be sent to organisations at the start of the exercise by your national body.

4 Agreeing to the Balances Received

Checking the Statements

4.1. On receipt of the statement from the receivable organisation, the payables organisation should check the list of balances against their ledger to determine whether they agree to the amounts listed. It should be noted that this agreement forms an agreement that the balance is correct and is outstanding for payment. It is not an agreement that the balance will be paid.

4.2. If the invoice is not on the sub ledger, or full approval has not yet been given, then the payable organisation should carry out further investigation into whether the balance can be agreed in principle. This may be through further communication with invoice approvers, or by contacting the receivables organisation for further details.

4.3. In the case of Income and Expenditure balances, the payables organisation should check their expenditure reports to make sure that they have the listed transactions recorded in the current financial year. If it is recorded within the general ledger for the same year as the AoB exercise then this would be a transaction that can be agreed.

4.4. In the event that the transaction does not appear, the payables organisation will need to investigate the circumstance. It may be that the transaction needs to be accrued for, or that the transaction is shown as being for a prior or future financial year, or additional information is required regarding the transaction to be able to locate the amounts.

4.5. It is good practice for the payables organisation to prepare reports of outstanding payables balances/expenditure for the year to date in advance of receipt of the statement. This will allow the payables organisation to know in advance who they are expecting to receive a statement from, and will allow the organisation to quickly follow up any statements not received. However, requests for statements should not be made in advance of the deadline.

Confirming Agreed Balances

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

4.7. For the 2016-17 financial year, the de minimis level for I & E is set at £100k at Q3. The de minimis level for Rec & Pay agreement is also set at £100k for all exercises. This means that where the net total of all invoices notified by the receivables body (inclusive of credit notes) is above this level, confirmation of the balance agreed to should be issued to the receivables organisation. At

Q4, the de minimis level for I & E is set at £2m, to avoid unnecessarily increasing the burden on organisations. Details can be found in the table in section 4.15 of this guidance.

4.8. Although there is no requirement to issue a return on balances below these de minimis levels, they still need to be included within the total balances recorded on the collection forms against the relevant receivable body – see section 5. It would be considered good practice to issue a return to receivables bodies where a formal dispute is likely to be (or has already been) raised on some or all of the balance. Examples may include where you do not agree to the total invoiced or you are aware that invoices for another organisation have been issued to you (see worked examples at Annex 3).

4.9. On responding to the receivable organisation, the payable organisation should, wherever possible, complete the statement template that has been issued to them. If no pro forma has been provided for completion, then the payable organisation should include the following in their response:

- The invoice number and outstanding balance as indicated by the receivable organisation on their statement.
- The amount of the invoice which is agreed to (or agreed to in principle) – i.e. the amount which the payable organisation has approval to pay.
- The amount of the invoice which is not agreed to, but not yet in formal dispute
- The amount of the invoice which is to be taken to a formal dispute – i.e. the amount which the payable organisation will not approve for payment, and for which the dispute will be formally raised for mediation.
- Where balances are not agreed in full, a description of the requests for additional information is included.

4.10. When communicating approval it is important to distinguish the balance on an invoice that has been approved and agreed to, from the balance which has not. For example, if an invoice is for £30k for a secondment of 30 days work (at £1k per day) but the person only did 20 days, the expectation would be that the payables organisation agree to the 20 days worked, but not agree to the other 10 days. On responding, it would be expected that the payable organisation would therefore agree to £20k, but not agree (either through formal dispute or otherwise) the remaining £10k. Discussion would then occur between the payable and receivable organisation. In this instance, the receivable organisation would need to adjust their income and receivable amounts in their accounts because they have over-invoiced. Both organisations would record a negative adjustment in the “adjustments” column or a revised statement can be issued with prior agreement from both parties and the new amount will be recorded in the Notified column. Please note that a disputed item should never be positive, as logic dictates that organisations would never dispute that they owed a greater amount.

4.11. In the example given in 4.10, it would not be appropriate for the payable organisation to disagree or dispute the entire invoice balance. Details on how

this would be recorded on collection can be found in section 5, and there are further examples given in Annex 3.

Timing of Responses

4.12. The deadline for responding to statements issued is agreed between the Department of Health and its national bodies, in advance of the exercise. Payables organisations should ensure that a response should be issued to all statements with a balance greater than the de minimis level before the deadline passes.

4.13. Additionally, wherever possible, the payable organisation should attempt to issue a response to the receivables organisation as soon as possible in advance of this deadline if they are aware that they will not be agreeing to the statement balance in full. This is to let the receivables organisation know about any problems they may not be aware of, and ensure that if information is requested from them they have time to act in advance of the deadline as the receipt of additional information may allow balances to be fully agreed. This will also allow time for the receivable organisation to reallocate balances to the correct organisation if they were allocated incorrectly initially.

Agreeing to Accruals

4.14. During the exercises at Q2 and Q3 there is no requirement for the receivables organisations to issue accruals statements; however an additional column has been inserted into the data collection forms to separately identify accruals. Accruals must be recorded within the collection forms for all exercises to ensure that the 'total' figure reflects the true ledger position. At Q4 an accruals statement must be issued and discussions between the two parties must take place, as per the Q4 timetable. Many accruals originate with the payables organisation, such as where goods or services have been supplied, but no invoice has been issued for the goods yet.

4.15. Variances may arise where no such discussion has taken place. These variances can be overcome through discussion between agreement bodies outside of, or in advance of, the agreement exercise to ensure both bodies can agree on the amounts that are due. It is important as part of ongoing business, that payables organisations seek to obtain invoices for goods received where they have not been sent in reasonable time. It is also important that payables enter into discussions regarding estimates.

Summary of thresholds for issuing and agreeing to statements

Area	Policy - Issuing Statements	Policy - Agreeing Statements
Q2 R&P	£2,500*	£100,000
Q3 R&P	£2,500*	£100,000
Q3 I&E	£10,000*	£100,000
Q3 accruals	No statements*	No statements
Q4 R&P	£2,500 *	£100,000
Q4 I&E	Statements to be issued over £2m.*	Statements and agreements over £2m
Q4 accruals	No de minimis*	Statement issued but agreement not mandatory

* Note that organisations are still able to send statements at a lower level than these if they have automated processes for issuing statements and wish to continue doing so.

5 Completing the forms

5.1. Following on from the agreements process, both payables and receivables organisations are required to report their receivable/payable and income/expenditure balances to the Department (or its National bodies), through either an FMA form (NHS Trusts), FTC form (Foundation Trusts), NHS England data collection form (NHS England group bodies) or Consolidation Schedules (ALB/NDPBs). The term "data collection form" will be used in this guidance to refer to all the above forms, and any other form used for submitting balances under the AoB exercise.

Overview of data collection

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

- Notified
- Disputed
- Adjustments
- Accrued
- Total – this is the amount which is validated against the value of payables and receivables or I & E included in the accounts notes. It is a protected cell containing a sum: Notified + Disputed + Adjustments + Accrued = Total. Organisations are not expected to calculate their own totals.

5.3. For income and expenditure only, the above columns are split between admin and programme. More detail on this split is provided in section 6 of this document. (Note: NHS Trusts and Foundation Trusts income and expenditure is all programme, so this split is not relevant).

5.4. Some data collection forms contain a tab separate to the balance agreements where a justification of the figures can be included. Where any adjustments or disputed balances are included, the gross balance across each organisation type is included within the freetext tab on DH forms. This is not automatic in FTC forms.

5.5. The following subsections show what type of balance should be recorded in each column, and Annex 3 provides examples of how this may work in practice.

Notified Balance

5.6. In all circumstances, the invoiced balance included on the statement issued by the receivables organisation should be recorded under "notified" if the statement has been addressed to the correct organisation. This balance should be reflected within the payables organisation "notified" total. This is to show that both parties have the same starting position, and therefore where the overall total does not match between two organisations, this is due to true

disagreements on the balance recorded elsewhere. This balance should be static, and should not change throughout the exercise.

5.7. The exception to the above is accruals – which should be separately identified on statements and recorded in the “accruals” column. This figure should reflect accruals ledger balances at each quarter exercise, although due to ledgers closing at Q3, it is likely that any changes agreed between parties in the accruals column, will reflect a divergence from the ledger balance. At Q4 an accruals statement is issued, and discussions should take place to ensure the accruals figure is consistent between counterparties and agreed wherever possible. The accruals balance should always be shown in the accruals column – statements are sent at Q4 to inform the discussion.

Adjustments

5.8. An adjustment may be recorded in a number of circumstances. In the majority of cases this will be used to show an amendment to the ”notified” balance, where the invoices have not been received or where part or all of the invoice cannot be agreed, but has not been formally disputed. It may be used by the receivable organisation to show adjustments to their own balances where too much or too little was initially notified.

5.9. Receivables Adjustments: A positive or negative adjustment could be made where there is a change in the receivables balance since the statement was issued. This could be due to individual amounts listed on the statement being lower than the outstanding amount or a missing receivable being identified as a result of discussions with a counterparty.

5.10. Payables Organisations: A positive or negative adjustment may be recorded where the receivable organisation gives late notification of an invoice, or notifies that the balance previously included on the statement was too low, or where a future period invoice is included on a statement. These adjustments may subsequently cancel out if they cannot be approved. A positive or negative adjustment may also occur due to invoices appearing on your own reports that were not included within the statement you have received but which you still have as outstanding. In the case of missing invoices, where the payable organisation is aware of the invoice, every effort to obtain the invoice from the receivable organisation should be made.

5.11. Annex 3 contains more detailed examples of where an adjustment balance may be recorded.

Capital Adjustments

5.12. Capital income and expenditure should be included in the issued statements, and should be clearly marked as such. The total notified amount on the statement should be included within the ‘notified’ column. The organisation(s) treating the income/expenditure as capital, should then enter the balance as a

negative amount under the ‘adjustments’ column to remove the capital element from the overall trading totals being agreed. This may result in an unavoidable mismatch between the organisations.

5.13. For example, the receivable organisation may have supplied a member of staff to the payable organisation. However, the staff member may have been working on the development of software at the payable organisation, and therefore the payable organisation will not be recording the cost of the staff member as expenditure but rather it would capitalise the cost. As a result, on analysis of their expenditure, the payable organisation would not have the staff cost to match against the receivable organisation’s staff income. In this instance, the payable organisation should adjust out any intercompany transactions relating to capital expenditure in the ‘adjustments’ column.

Disputes

5.14. Balances recorded within the ‘disputed’ column must represent a reduction in the balance (i.e. a negative value) entered by the payable organisation to reflect a formal disagreement. This would occur in a situation where the payables organisation has completed its investigation into the balance, and has determined there is no agreement to pay. This may be due to a contractual disagreement over the amount which should be paid. There must be intention by the payables organisation to take the invoice to mediation or undertake the formal dispute process set out in the contract. Any disputed invoices should be notified in writing to the counterparty organisation.

5.15. **Receivable Organisations:** A disputed balance should not be recorded on the data collection form under any circumstances. As it would not make sense for a receivable organisation to formally dispute their own invoices, the data collection forms do not allow a dispute to be entered. The expectation is that the receivable body will enter all transactions it expects to receive payment for in the “notified” column; it is the responsibility of the payable organisation to dispute that balance.

5.16. **Payable Organisations:** When recording the dispute, only record the element of a transaction which is actually being disputed e.g. if an invoice for £70k only has a dispute of £5k then only the £5k should be recorded. The full £70k would still be recorded under “notified” as it was included on the statement by the receivable organisation. However, the “Total” balance would be reduced by the entering of a negative £5k in the “disputes” column, to show only £65k, which reflects the actual balance that the payable organisation is recording in their accounts. The receivable body records £70k in their return, with the dispute leading to a £5k mismatch between bodies.

5.17. A disputed balance would constitute a valid reason for a variance to exist on agreement of the balances. Payables organisations with disputed balances must ensure that the balance has been disputed for a valid reason, and not just to avoid clearance of variances, and that the relevant national body has been informed in an effort to resolve the dispute.

5.18. Annex 3 contains examples of where a disputed balance may be recorded.

Accruals

5.19. Accruals are recorded separately in the data collection form. Organisations should report accruals in this column, in order to separately identify accrued balances. For Q2 and Q3 accruals must be recorded in the accruals column based on the information held in ledgers. At Q4, a separate accruals statement is issued and discussions should take place between organisations to ensure accruals amounts are consistent between counterparties and agreement should take place wherever possible, although the figure recorded should still represent the ledger balance. Although accruals statements are not issued at Q2 and Q3 it is vital that organisations report the figures and mismatches arising from any issues with accruals still form part of the mismatch resolution stage.

5.20. Where a balance cannot be agreed prior to the agreement deadline due to un-validated invoices, an adjustment should be made to the notified balance (via the adjusted column), and where invoices received prior to the deadline stated in the timetable have not been validated, every effort should be made to accrue for the transaction / balance to avoid mismatches. It is not acceptable for mismatches to arise purely because the payable organisation has not yet validated an invoice sent before the deadline specified in the AoB timetables.

6 Areas of potential Issues

Gross and Net Accounting & Recharges

THE DEFAULT TREATMENT IS FOR ALL TRANSACTIONS AND BALANCES TO BE TREATED GROSS

6.1. The Group Accounting Manual requires, except in limited circumstances, that transactions between DH Group bodies are treated on a gross basis. This is consistent with the income recognition requirements contained within the International Financial Reporting Standards (IFRS). Net accounting is only appropriate where one organisation is acting as an agent to the transaction and has transferred the risks and rewards. The lack of 'profit' in the arrangement does not automatically mean net accounting is used.

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

- The accounting treatment of transactions is agreed between all parties to ensure consistency; and
- Agreements reached should be clear and auditable

The general principles are:

- Transactions that are of a trading nature are to be shown gross by both parties;
- Where an organisation acts solely as an agent from the transaction, the item should be treated as a recharge and be accounted for net; and
- Each circumstance should be assessed individually and treatment agreed

6.3. An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. For example, with a staff recharge relevant considerations might include who bears the risk if the member of staff is off sick for a period and unable to work, among other factors. If the receiving organisation would continue to pay the employing organisation in the event of a period of sick leave, this might be a factor suggesting that the employing organisation has transferred the risks. As noted in paragraph 6.2 each circumstance should be assessed individually. Organisations should discuss with their external auditor if they need to determine how to account for an arrangement.

6.4. In an agency relationship, the cash may pass from the principal to the agent in advance of the delivery of any actual service. At this point, for the purpose of AoB, the agent recognises a payable and the principal recognises a receivable. However, once the third party has begun delivery of the service, they have earned some income and this is then reflected in the receivables and payables.

6.5. In order to illustrate this, two examples are shown below relating to FT's. NHS England Commissioning entities operating in the ISFE environment should refer to separate guidance issued by NHS England contained in Appendix 4**.**

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

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

1) Staff permanently employed on Foundation Trust A payroll. Foundation Trust A is recharging NHS Trust B.

	(1a) GROSS FOR THE EMPLOYER (i.e. risks and rewards remain with Foundation Trust A – FT A is the Principal)	(1b) NET FOR THE EMPLOYER (i.e. risks and rewards passed to NHS Trust B – Foundation Trust A therefore the agent)
Foundation Trust A: Income	Record in income note with WGA code	Nothing recorded in income note – items are netted off.
Foundation Trust A: Expenditure	Record total staff costs as permanently employed against salaries and wages. Record as 'business external to government'[1] with no WGA codes attached to transaction.	Record total staff costs as permanently employed. Record in 'business external to government'.[1] with no WGA codes attached to transaction. Record income received from WGA body in respect of recharge in *'Recoveries from bodies in respect of staff costs netted off expenditure'* in the employee benefits note. This would show as a negative amount to represent receipt. It would be classified as 'external to government'[2] Overall staff costs would show nil assuming the recharge amount was for full staff cost amount.
Impact	Show gross income and gross staff costs	Show no income and staff costs netted to £0
Equivalent for NHS Trust B	NHS Trust B will record the expenditure in staff costs as 'other' (rather than permanently employed) and in the WGA analysis for Foundation Trusts.	NHS Trust B will record the expenditure in staff costs as 'other' (rather than permanently employed) but will record this as 'external to government'[1] – they are the organisation recording the principal element of the employment cost.
Transaction elimination for DH consolidation	Upon consolidation income for FT A will be eliminated with expenditure from NHS Trust B (both being WGA). FT A staff costs will remain.	Upon consolidation staff costs from NHS Trust B will remain. Foundation Trust A accounts will be already showing nil income and nil staff costs (income netted off staff costs).

[1] In an FTC form for NHS foundation trusts, non-WGA activity is recorded in the 'external to government' column. For NHS Trusts completing an FMA form this column does not appear (with the total column instead being free-entry), thus an NHS Trust will exclude the number from the WGA columns in order to mean that it is external to government.
[2] In an FTC form for NHS foundation trust, the employee benefits note has additional lines to record staff recharge income being netted off expenditure. For NHS Trusts completing an FMA form, there is no line for staff recharge net income. NHS Trusts therefore need to directly net this off the staff cost.

2) Staff permanently employed by NHS Trust B. Foundation Trust A is being recharged by NHS Trust B.

Type	(2a) GROSS FOR THE EMPLOYER (i.e. risks and rewards remain with NHS Trust B – NHS Trust B is the Principal)	(2b) NET FOR THE EMPLOYER (i.e. risks and rewards passed to Foundation Trust A – the employer NHS Trust B is the agent and does net accounting)
Foundation Trust A: Income	n/a	n/a
Foundation Trust A: Expenditure	Record staff costs as 'Other' against Salaries and Wages. As the transaction is with another WGA body, then transaction should have coding as 'business with NHS Trust' and should be shown in that column.	Record staff costs as 'Other' against Salaries and Wages. If net then all transactions would be classified as 'external to government'[1]
Impact	NHS Foundation Trust A shows staff costs paid in respect of the individual, recorded as a WGA transaction.	NHS Foundation Trust A shows staff costs paid in respect of the individual, recorded as an external transaction.
Equivalent for NHS Trust B	NHS Trust B will follow the same approach as Foundation Trust A did in scenario (1a) above: Record income in income note (in WGA column for 'business with foundation trusts') Record total staff costs as permanently employed against salaries and wages as 'external to government' (which, per footnote 1, means excluding from the WGA columns in an NHS Trust FMA form).	NHS Trust B will follow the same approach as Foundation Trust A did in scenario (1b) above: Record total staff costs as permanently employed. Record in 'business external to government'.[1] with no WGA codes attached to transaction. Record income received from WGA body in respect of recharge in the employee benefits note. (See footnote 2: an NHS Trust will net this off directly in the FMA form in the employee benefits note. An FT in this position would use the 'recoveries netted off expenditure' row in the employee benefits note). It would be classified as 'external to government'. Overall staff costs would show nil assuming the recharge amount was for full staff cost amount.
Transaction elimination for DH consolidation	Upon consolidation the income recorded by NHS Trust B will be eliminated against the expenditure recorded by Foundation Trust A. The NHS Trust B external staff costs will remain.	Upon consolidation, staff costs from NHS Foundation Trust A will remain. NHS Trust B accounts will be already showing nil income and nil staff costs.

[1] In an FTC form for NHS foundation trusts, non-WGA activity is recorded in the 'external to government' column. For NHS Trusts completing an FMA form this column does not appear (with the total column instead being free-entry), thus an NHS Trust will exclude the number from the WGA columns in order to mean that it is external to government.
[2] In an FTC form for NHS foundation trust, the employee benefits note has additional lines to record staff recharge income being netted off expenditure. For NHS Trusts completing an FMA form, there is no line for staff recharge net income. NHS Trusts therefore need to directly net this off the staff cost.

I&E - Admin and Programme Split

6.6. The Department of Health Consolidated Supply Estimate, which is voted on by Parliament, splits out Admin and Programme expenditure. The Department is managed against these admin and programme control totals and the breaching of either could result in an Excess Vote accounts qualification and a Public Accounts Committee Hearing. It is important that the amounts recorded as Admin or Programme within the Department of Health Consolidated accounts and the AoB exercise are accurate, to avoid under or over eliminating programme or admin expenditure/income as this would affect the performance against the Estimate. Therefore, when agreeing balances, agreement bodies are expected to not just agree the balance, but also agree the type. Whether balances are Admin or Programme will depend on the activity to which the balance relates and the type of organisation the transactions are with.

6.7. It is expected that Department of Health, CCGs, CSUs, NHS England Local Offices, Regional Teams and some ALBs will have a split of admin and programme I&E. NHS Foundation Trusts and NHS Trusts will only have programme I&E. There are a number of ALB's which have admin only; these are NHS Business Services Authority, Health Research Authority, Human Fertilisation & Embryology Authority, Human Tissue Authority and Professional Standards Authority.

6.8. In determining whether a transaction is admin or programme, organisations are asked to refer to the DH Group Accounting Manual and the Financial Reporting Manual. Generally, admin balances are incurred in running the organisation, with programme incorporating all other balances. There will be occasions when it is not possible to resolve mismatches on admin and programme, however each circumstance should be assessed individually and treatment agreed should be clear and auditable.

Hosted Budgets

6.9. This section provides guidance where additional services are included within the individual body accounts and agreements, as the organisation is hosting/managing the budget, rather than simply providing a service on behalf of another organisation (Hosted Services). For guidance on how to treat services which are provided by one organisation on behalf of another, but do not include the balances in their individual body accounts, see Hosted Services.

- NHS organisations, including the Department, may host services on behalf of other organisations. The agreement of payables and receivables, income and expenditure is then with the host/managing organisation where the budget for the service is also hosted. For example, if a Trust hosts/manages a research network funded by the Department, it needs to record the total payments received from the Department as income and the payments that it makes to the other NHS organisations on behalf of the network as expenditure. The risks include;
    - How any surpluses are managed
    - Whether transactions are treated gross or net.

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

Hosted Services (Agency Arrangements)

6.11. This section provides guidance where one agreement body is providing a transactional service on behalf of another agreement body, but are not recording the balances within their own individual accounts. For guidance on how to treat the agreed balances for services where the agreement body includes balances within their own individual accounts and agreements, see Hosted Budgets.

6.12. NHS England have collected a list of hosted services where services are being accounted for net and these are included in (Annex 5) issued separately to this guidance and can be found on DH.gov.uk. These are exceptions to the default treatment specified in paragraph 6.1 above. Where providers are party to these hosted service arrangements, they should include them in their income statements as being accounted for as net. This means that providers will record the transactions as being from the organisation on whose behalf the service is being hosted, rather than recording transactions with the hosting organisation.

6.13. There are a number of circumstances where organisations may be "hosting" services or activities on behalf of other organisations. The relationship between the organisation hosting the service, and the organisation it is being provided for, can be considered that of agent and principal. In these instances, the agent body will not record any transactions in their financial statements or agreement of balances submissions, but rather the principal, for whom the service is being hosted, will record in their financial statements and agreement of balances.

6.14. Where the agent is completing transactions between two other AoB bodies, where one is the principal, the other is the third party, there shall be no transactions recorded against the agent. The principal and third party will agree the balances between themselves.

6.15. A specific example of where an agency relationship does not exist is the Research Networks. The lead organisation should treat these as a Hosted Budget as outlined in paragraphs 6.9 – 6.10.

6.16. Examples of such services with the Department of Health and NHS Business Services Authority can be seen in the following sections, and examples of how to record this can be seen in section 7.

Specialised Commissioning

6.17. Specialised commissioning transferred to NHS England from 1 April 2013. NHS England ultimately holds the national budget for these services. There are 11 Commissioning Hubs responsible for looking after these services on behalf of NHS England. Therefore they will act as commissioner for all NHS providers of specialised services within their geographical area, for example, a Leeds patient attending a specialist London provider will be paid for by the London Commissioning Hub. Appendix 2 aligns the Providers to the lead Commissioning Hubs and Appendix 3 lists the Commissioning Hubs alongside

the other NHS England entities. The Commissioning Hubs also have Agreement of Balances contacts listed on the contact lists.

6.18. The exception to this is where "Secondary Dental Services" are commissioned, which are billed on a population basis. i.e. the trust will bill the Local Office (former Area Team) where the patient is resident rather than where the treatment took place.

For a list of services whose invoices and statements should be addressed to the Local Office (former Area Team), please see Appendix 1. **Invoices and statements for specialised services should be addressed to the Commissioning Hubs.**

Deferred Income

6.19. Under IFRS, revenue and the expenditure to which it relates is normally accounted for in the same period. It is not anticipated that NHS bodies should have significant levels of deferred income or prepayments. Commissioners should not make payments in advance of need, especially when making payments close to the year-end, and should always agree payment plans to avoid significant deferred income balances accruing.

6.20. As budgets and drawdown funding are agreed in advance, organisations may not be able to guarantee the return of such income in future financial years. It is also not acceptable for the commissioner to make payments where value has not been received, simply to avoid underspending.

PDC, Loans, Grant in Aid and Parliamentary Funding

6.21. A large number of discrepancies between NHS Trusts and Foundation Trusts and the Department result from the incorrect treatment of PDC, PDC dividend, loans and loan interest. All PDC and Loan transactions are excluded from the AoB process as they are funding activities and not trading activities. Likewise, grant in aid, parliamentary funding, share capital and business rates are outside the scope of AoB.

6.22. For NHS Foundation Trusts, there is an additional line in the DH WGA sheets within the FTC template to separately add the PDC dividend receivable/payable. This is added to ensure that total balances with DH reconcile between the accounts and WGA parts of the form. However this is solely an extra line at the bottom of the FTC WGA form for adding in the PDC dividend – it does not form part of the AoB process.

6.23. Where Trusts have incurred a PDC Commitment fee, this will be an invoiced charge, and so should be picked up as a trading transaction for AOB purposes and included in intercompany transactions with core DH.

Transfers under Absorption Accounting

6.24. Where there has been a transfer of functions in year, the receiving organisation will need to account for the transactions and balances that they received and hold at the year-end. However, the actual gain or loss recognised in respect of the transfer, shown on the Statement of Comprehensive Net Expenditure/Statement of Comprehensive Income, should not form part of the transactions agreed and reported for AoB exercise.

The gain or loss on transfer of functions and assets is not a trading transaction and therefore does not fall within the scope of AoB.

6.25. As detailed in the Manual, NHS bodies should nevertheless agree the nature and value of the balances to be transferred (and the associated gain or loss) with the counterparty prior to the transfer to ensure that both parties record corresponding absorption accounting entries in their financial statements. It is essential that both parties agree exactly on the value, as all absorption transfers within the DH Group should result in an equal and opposite gain or loss in the Statement of Comprehensive Net Expenditure/Statement of Comprehensive Income**.**

Partially Completed Spells (PCS) – Incomplete Spells

6.26. Incomplete spells can be significant and, if not established and agreed, could adversely affect an organisation's ability to achieve its control total. Where a service provider can demonstrate that it is certain to receive income for a treatment or spell once the patient is admitted and treatment begins, income for that treatment or spell should be recognised from that point.

6.27. Costs of treatment are recognised as incurred. Income relating to those spells that are part completed at the end of the period should be apportioned across the periods on a reasonable basis (which might be an apportionment on stay to date vs expected length of stay or costs incurred to date compared to total expected costs).

6.28. Both parties should reach agreement as to the appropriate accounting treatment, which should remain unchanged year on year unless agreed by both parties and their respective auditors. The value of PCS must be agreed between both NHS parties (providers and commissioners) involved in the transaction, in accordance with the national timetable, ensuring it forms part of the AoB accrual deadlines.

6.29. The expectation is that the majority of transactions will be agreed with and take place with lead commissioners. It is essential incomplete spells are established and agreed to avoid prior-period adjustments arising.

6.30. It is recommended that incomplete spell accruals are assigned a separate balance sheet code (NHS England ledger only), and those accruals are re-established following reversal throughout the following financial year. i.e. once the accrual has been established, the movement only of the incomplete spell will affect the I&E in future years.

Maternity Pathway Prepayment/ Partially Completed Spells

6.31. Payment is currently made at the start of the pathway. If this pathway spans the year-end there is, in effect, a prepayment for the commissioner and deferred income for the provider.

6.32. The provider should be best placed to identify the stage that each pathway is at, and therefore calculate the accounting estimate. CCGs will want assurance to validate this amount and they should engage with the provider and be content with this amount.

6.33. It is expected therefore that the charge for partially completed spells and the prepayment for the maternity pathway will be included on the accruals statement at month 12 but an invoice SHOULDN'T be raised. The items should be separately identified, the maternity pathway being a credit.

6.34. Therefore the correct accounting treatment for these two elements is as follows:

- Partially completed spells should be treated as accrued income (providers) and accrued expenditure (commissioners);
- Maternity pathways should be treated as deferred income/payable (providers) and prepayment/receivable (commissioners).

6.35. Please note from 2016-17 the payables/receivables balances submitted on the collection form for months 6, 9 and 12 should include these balances. If these balances are not exchanged between provider and commissioner at month 6 and 9, the previous years' month 12 balances should be assumed.

Non Contracted Activity (NCA's)

6.36. Timing of year-end processes precludes determining the final figure for non-contracted activity for the final quarter of the year within the AoB timescale. Therefore the year-end figures have to be based on estimates which may be different to the final outturn for the year. Both parties to date will have had methods for estimating the volumes and prices and these methodologies may well have produced different results. Ideally, providers and purchasers, with providers taking the lead, should agree an amount to include. However, if this is not possible then a general non-provider specific 'provision' is acceptable and accommodated for in the data collection forms. This 'provision' will be subject to audit scrutiny and must be reasonable and justifiable.

Treatment of NCA's

6.37. For commissioners, if an NCA balance is included on a statement it should be included as either a notified amount (if on the creditors statement) or an accrual amount (if recorded on the ledger) against that provider. Any "general" NCA accrual should be recorded as an adjustment on the FT/Trust general NCA line. NHS England will query with commissioner organisations large balances on these lines. To enable reconciliation, a sub analysis 2 code for general NCA (FT and non FT) has been created.

6.38. For providers there will also be a general NCA line included on the collection forms.

Unvalidated/Estimated Activity

6.39. NHS bodies will have both unvalidated and estimated activity when completing AoB returns. Both parties must agree an approach prior to the AoB deadlines on quantifying both elements to ensure a consistent treatment within their accounts. Providers should ensure that up to date activity information (in the form of a detailed working paper) is shared to allow commissioners to verify and include estimated activity within their

position. This should be done in conjunction with the e-mailing of accruals statements by the deadline provided in the AoB timetable.

Contract Penalties

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

Pooled Budgets

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

Better Care Fund

6.42. Organisations need to ensure that they have a clear understanding of their own and their counter-parties' accounting and reporting arrangements. This will make it easier for organisations to understand the transactions required for AoB purposes.

6.43. Agreements in place should ensure that pool members and NHS providers are given, on at least a quarterly basis and soon enough to be useful, statements that detail the underlying transactions with the appropriate pool member counterparty.

6.44. Organisations should also have referred to the agreements in place to ascertain how best to account for AoB entries. Organisations must be able to justify their treatment to Audit.

6.45. Detailed guidance is provided in Chapter 4 Annex 1 of the Manual. A list of NHS England BCF services accounted for net can also be found within Annex 5 on the DH.gov.uk website. All parties (including providers) should scrutinise these lists to ensure they are aware of any agreements accounted for net to ensure statements are sent to the correct party.

Sustainability and Transformation Fund (STF)

6.46. In 2016-17 a number of providers will be in receipt of a share of £1.8 billion STF funding.

6.47. STF funding is paid on a quarterly basis conditional upon the achievement of financial and performance targets. At Q1 the Department of Health made the payment, however

as they were acting as an agent of NHS England, providers should record the income against NHS England Core (CBA033). Although this income will not be invoiced, organisations should ensure that it is still recorded on the data collection forms in order to avoid unnecessary mismatches.

6.48. The Q2 payment was made directly by NHS England Core (CBA033) and as such providers should have coded both receivable and income against CBA033. This will be the same for the remaining payments.

6.49. At Q3, providers should include Q1 and Q2 income on the Income and Expenditure statement issued to NHS England, and should record accrued income on the data collection form.

Negative Balances

6.50. A negative balance should be defined as a debit balance on Accounts Payable (AP) and a credit balance on Accounts Receivable (AR). These balances still require agreement during the Dr / Cr AoB process in accordance with the de minimis rules, and the AoB timetable.

6.51. IAS1 states that an entity should not offset income and expenditure unless the offsetting reflects the substance of the transaction. For example, if a credit note relates to an invoice on the ledger, it is correct that it remains in the AP side. However if it does not relate to the transactions on that ledger or there is no longer any balance, it should be moved to the opposite ledger.

6.52. To avoid additional work at year-end, and during balance agreement, it is highly recommended (and good practice) to clear these types of errant balances from the AP & AR ledgers throughout the year. Credit balances on AR usually arise by the issuing of a credit note for an invoice that has already been settled, or by the receipt of an over-payment being a higher value than the outstanding invoices. This should be repaid to the negative receivable organisation via a payment.

6.53. Debit balances on AP arise for the opposite and corresponding reason. The negative payable organisations credit control department should be made aware of debit balances on the AP ledger, to incorporate them into a collection process, should repayment not be received from the originator.

6.54. The treatment of negative balances, and subsequent practices to clear the balances, applies equally to NHS and non NHS organisations.

Additional guidance for Credit Notes

6.55. Where a statement contains a credit note, the payable organisation must make additional checks to ensure that the correct action has been taken on their ledger with regards to the initial invoice. For example, to avoid situations where an invoice is disputed but a credit note for that invoice is accepted, organisations should ensure that the invoice being netted by the credit note is on their ledger and is outstanding, and has

not been cancelled. This is to reduce the possibility that organisations do not benefit from credit notes that should not have been accepted.

Additional guidance for Unallocated Payments

6.56. While every effort should be made to allocate a payment to the invoice it relates to, there may be occasions where this is not possible prior to the AoB exercise. If the unallocated payment is included on the statement, the payable organisation should investigate the reason the payment has been made. The receivable body should be informed of the invoices the payment covers, and any additional relevant information. The two organisations should enter an adjustment to reduce the balance if the reason for the payment can be identified, and only transfer the balance to the opposite ledger if it cannot be accepted as an expected payment.

Provision for Bad Debts

6.57. Although a provision for bad debts may be a requirement for non-WGA bodies, DH bodies following the Manual should not make provisions for WGA bodies, especially organisations within the Department of Health accounting boundary.

6.58. When issuing statements showing receivables balances, receivables bodies are reminded that the full debt outstanding should be included. This should then be recorded unadjusted (subject to amendments to errors) on the data collection forms.

Other provisions

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

Charitable Funds

6.60. NHS charitable funds (whether consolidated under IAS 27/ IFRS10 or not) do not participate in the AoB exercise. AoB data collection forms should therefore be completed excluding charitable funds.

Non-invoiced Income

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

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

Recording Transactions in the Correct Year

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

7. Agreement of Balances 2016-17 – Recording Sub-Entity Transactions

Balances with NHS England

7.1. From 2014/15 it has been a requirement for organisations to send separate statements to the individual sub entities within NHS England i.e. Local Offices, Regional Teams, Commissioning Hubs, CSUs and the NHS England core central team . Providers should have the ability to record balances and issue statements to individual sub entities.

7.2. A full list of the NHS England entities can be found at Appendix 3, these will all be listed on the collection forms and contacts provided on the contact lists circulated by your national body.

7.3 Providers should be aware that they may have balances with more than one NHS England sub entity.

7.4. Providers may contract with different Local Offices and Commissioning Hubs for different services e.g. specialised services and secondary care dental and, in addition, may also contract with the NHS England core central team. This means the Provider will have to issue a number of statements, one for each of those NHS England sub entities. It is crucial that Providers establish the correct sub entities to receive relevant statements. If statements are sent to the incorrect sub entity, this could result in entries on the statement being adjusted incorrectly, causing mismatches across the NHS AoB exercise. To assist Providers in this process, Appendix 1 sets out the services that continue to be commissioned by each Local Office. Specialised services will be commissioned by the commissioning hubs. In relation to this, Appendix 2 sets out the lead Commissioning Hub for each provider.

7.5. There are also a small number of services which should be invoiced (and statement sent) to the NHS England core central team. This will be for specific programmes and secondments of staff within NHS England. Examples are as follows:

PFI Schemes
Revenue support schemes
Individual agreements relating to service provision e.g. IT, premises
Sustainability and transformation funding (STF)

Please note this list specifically excludes Clinical Excellence Awards as these invoices are not agreed by CBA033. These must be agreed with the relevant NHS England Local Office.

7.6. There should be no instances where the NHS England sub entity cannot be identified. Providers should not use the NHS England core team as a default entity. Invoices for healthcare are not expected to be included on statements addressed to the NHS England core central team (unless the invoice relates

to a healthcare service where it has been established as an NHS England centrally procured service). If the invoice is incorrectly included on the NHS England core central team's statement, the invoices will be adjusted out by the team and a mismatch will potentially occur. The NHS England core team will be a line on the AoB collection form (CBA033). There will not be a "default" line for NHS England. The generic email address previously used by NHS England to administer the AoB process (agreementofbalances.cba@nhs.net) will not be monitored during the process. An auto reply will be set up reminding bodies of the new process.

7.7. If Provider ledger systems are not configured to support the issuing of statements automatically to the various sub entities of NHS England the Providers will need to produce and issue the statements manually and prevent any automatic issue of statements from their ledger.

7.8. Statements to CCGs as a payable organisation should be sent directly.

7.9. The Local Offices, Regional Teams, Commissioning Hubs, CSUs and NHS England core central team (as payable organisations) will complete the AoB process in the same way as a CCG. They will receive their own individual statements direct from Providers, check them, respond to the statements and complete the AoB collection form. If a body does not recognise an invoice entry on the statement it receives and is unable to resolve with the counterparty, it should adjust that entry on its response to the Provider, stating "invoice not recognised by this team". Conversely, it is very important that if a Local Office, Regional Team, Commissioning Hub, CSU or the NHS England core central team are expecting an invoice to appear on a Provider's statement and it is missing, they should also adjust for this on its response to the Provider (including the invoice number).This will also improve subsequent exercises as Providers will be aware of where entries on statements may have been sent to the incorrect sub entity.

7.10. To facilitate this process, the NHS England contact lists will include contact details for all of the individual sub entities. The NHS England core team will still have a central mailbox but this should only be used for balances with the core central team. This team will not agree or respond to balances and queries on behalf of a Local Office, Regional Team, Commissioning Hub or CSU.

7.11. Where the NHS England statutory body (i.e. Local Office, Regional Teams, Commissioning Hub and the NHS England core central team) is recording income and receivables, the process will continue to be coordinated and managed by the central team. Communication on these transactions will be made and received by the central team. To facilitate this, there is a separate contact email address for these transactions on the contact lists.

NHS England Appendices can be found at the end of this document.

Appendix 1 – Local Office to commissioned service matrix
Appendix 2 – Specialised services provider to Commissioning Hub matrix
Appendix 3 – List of Local Office, Regional Team, Commissioning Hub and CSU codes (including the NHS England core team).

Balances with Other Bodies

7.12. There are a number of relationships and transactions undertaken by the Department that have historically caused issues:

7.13. **NHS Supply Chain: NHS Supply Chain manages a number of contracts on behalf of other NHS bodies. As they are acting as an agent for these bodies, balances in these areas should be recorded against the relevant NHS body. Please see below a list of how transactions are to be reported in respect of NHS Supply Chain:-**

- Report against PHE033 (Public Health England) where the invoices are prefixed with the numbers 901 (Pandemic Flu), 902 (Vaccines) and 903 (Emergency Preparedness EPRR).
- Invoices prefixed with the numbers 101, 201 and 905 are to be reported as external to government and should not be included as part of the AoB exercise.

7.14. Only expenditure incurred in the areas listed above should be included in the agreements exercise. As part of the agreements process, DH and PHE will include relevant invoices on their statements. If the balance is not relevant to the agreements process it will not be included on a statement. All other Supply Chain balances should be treated as with a non-WGA body, under External to Government in the accounts.

7.15. **EHIC Incentive Scheme** – DWP pay EHIC Incentive Scheme invoices on behalf of the Department of Health, however all transactions should be recorded against DH. For queries regarding payment dates, please contact DWP on OHT.overseasvisitorsteam@dwp.gsi.gov.uk.

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7.16. **National Ambulance Resilience Unit** – West Midlands Ambulance Service NHS Foundation Trust: NHS England now passes all funding for the National Ambulance Resilience Unit through the West Midlands Ambulance Service (WMAS). Although funding recipients issue invoices to WMAS for payment of the funding, WMAS is acting as an agent on behalf of NHS England. As such, balances should be recorded against NHS England (the principal) and agreed between NHS England and the funding recipients. Similarly NHS England would not record any balance with WMAS under this programme unless a portion was retained by WMAS as a participant in the scheme.

7.17. **Leadership Academy -** Rotherham, Doncaster and South Humber NHS Foundation Trust: NHS England now pass all funding for the Leadership Academy through the Rotherham, Doncaster and South Humber NHS Foundation Trust (RDASH). Other agreement bodies issue invoices directly to RDASH for payment of the funding to them. Under the arrangement, no balances would be recorded by bodies against RDASH as they are acting as an agent on behalf of NHS England. These bodies would be the third party and NHS England the principal, therefore the balances would be agreed between NHS England and the third parties directly. Similarly NHS England

would not record any balance with RDASH under this programme unless a portion was retained by RDASH as a participant in the scheme.

Include against other body:

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

Excluded:

7.19. **Injury Benefits -** Injury Benefits is the payment of injury benefits to individuals injured at work, which is done centrally through a DH contract with Xfinity, to reduce the cost of each organisation separately setting up arrangements for the payment of injury benefits. However, because the Department is acting merely as a payment agent on behalf of NHS organisations, the substance of the transaction is really the payment of individuals, outside the accounting boundary, and therefore this arrangement is not within the AoB process. All injury benefit transactions and balances should be treated as "external to Government".

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

7.21. **Independent Sector Treatment Centres (ISTC)**: Also known as ISCAT. NHS England are now responsible for this service. NHS England are billed by the ISTCs on a quarterly basis for treatments commissioned by NHS bodies. The costs are then recharged to the NHS by NHS England` after the quarter has passed. As the expenditure incurred by NHS England is offset by the income received from the recharge, and as there is no economic benefit to NHS England in providing this service, NHS England should be considered as an agent in this process. This service applies a net accounting treatment as per Annex 5 issued separately to this guidance on DH.gov.uk.

7.22. The balance under this area should be treated as if it were agreed directly with an external (non-WGA) organisation, and therefore should be shown in the accounts as an "external to Government" balance, not a balance with NHS England.

Balances with NHS Business Services Authority

7.23. The NHS Business Services Authority (NHS BSA) carry out a number of services on behalf of the Department of Health group. Some of these services could be considered as hosted services, others as hosted budgets, an example of which is shown below;

7.24. **Electronic Staff Records (ESR)**
The Department of Health will include any transactions relating to ESR within their statements for future exercises. Therefore ESR transactions will be agreed directly with DH itself and recorded against DH. Any queries relating to invoicing or payment of` these transactions however, should still be directed to NHS BSA.

7.26 Historically, organisations have recorded a number of transactions against NHS BSA which are not theirs, resulting in increased mismatches. In particular, NHS Supply Chain transactions (see paragraph 7.13), injury benefits (see paragraph 7.20) and hospital prescribing/prescription (see paragraph 7.21) should not be recorded against NHS BSA.

NHS Property Services

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

Nursing and Midwifery Council

7.28. The Nursing and Midwifery Council (NMC) became part of the Departmental Group in 2015-16. A line has been included within the 'Other Group Bodies' category in the data collection forms for organisations to include balances against, however as an independent regulator, they will not be taking part in the agreements exercise.

The Health and Care Professions Council

7.29. The Health and Care Professions Council (HPC033) has been designated as part of the Departmental Group from 2016-17. A line has been included within the 'Other Group Bodies' category in the data collection forms, however at month 6 the organisation is not taking part in the agreements exercise.

Wiltshire Health and Care

7.30. Wiltshire Health and Care is a joint venture between three NHS FT's. This has now been included in the Departmental Group and any transactions with this organisation should be recorded against organisational code AXG within

the ‘Other Group Bodies’ category. Organisations will need to send out statements and undertake agreements with the organisation during Q3.

NHS Litigation Authority

NHS bodies including provisions as a payable with NHSLA

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

NHS bodies excluding Direct Debits from their analysis of income and expenditure

7.32. Where a NHS body pays the NHSLA contributions via direct debit the NHSLA raises and sends invoices that match to each direct debit or a sum of the direct debits taken. The total expenditure value that NHS bodies should be including within the AoB exercise should reconcile to the total value of contributions including paid and unpaid, irrespective of the method of payment. NHS bodies should include all contribution expenditure with the NHSLA irrespective of whether an invoice is posted to the purchase ledger or not.

7.33. Additionally, expenditure is incurred against NHSLA on a monthly basis, rather than in one lump sum. Agreement bodies should therefore apportion the expenditure across the financial year, recording one twelfth of the total payments to be made for each month. As an example, the agreement body would be expected to show expenditure of three-quarters of the total due to NHSLA at Q3.

Part year NHS Foundation Trusts

7.34. When accounting for gross income and expenditure categorisation on the data collection forms, the recording of the I&E changes from Trust to Foundation Trust after the date of status change. Any I&E before this date should be recorded against the NHS Trust (Goods and Services from other NHS bodies), and any after this date against the Foundation Trust (Goods and Services from Foundation Trusts). It is very important that commissioners split AoB income and expenditure between the period the counterparty was an NHS Trust and when it was an NHS Foundation Trust. Failure to do so leads to mismatches on all sides of the transaction and contributes to the overall gross mismatch.

7.35. On the date of change, the Trust will be required to ‘hard close’ the ceasing organisations financial accounts and ledgers. At this point Income & Expenditure should be agreed between all parties concerned, and that agreed balance should form the basis of the data collection at future quarters

throughout the year i.e. the Trust position struck at closedown will not alter, as all future I&E transactions will be recorded against the FT.

7.36. The payable and receivable position should be agreed at hard close, but upon change of status, those payables and receivables will transfer to the newly formed FT for future agreements. i.e. there will be no longer any Trust balances, they will become FT balances.

7.37. From this date all payable and receivable balances will be recorded against the FT, whether or not generated / issued prior to authorisation date, as balances will have transferred to the new organisation. This may necessitate re-coding of the primary AP & AR ledger to ensure the new supplier/customer has FT categorisation.

Reorganisation of providers involving transfer of services

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

8 Variance Reports and Resubmissions

8.1. On receipt of the data collection forms, the Department of Health finance team imports the balances into the accounts consolidation system for all DH Group Bodies. This allows comparison of the balances submitted by each organisation. The receivables balance submitted by one organisation is compared against the payables balance recorded by the partner agreement body. If the exercise has had no problems, then there will be no variances/mismatches between organisations. Where mismatches exist, the system generates the mismatch report which is then sent to organisations via their national bodies, and to ALBs by DH.

8.2. The variance report is designed to assist agreement bodies to resolve mismatches in the total balances submitted on the data collection forms. The mismatch resolution de minimis is defined depending on the total variance across the group, and the action that would be required to reduce the group variance to an acceptable level. Therefore, tolerances will vary between exercises, as will the requirements for resubmission.

8.3. The variance reports each consist of two worksheets which show the information in two formats – this is purely presentational. The variance reports are sorted by variance between the total balance of two partner organisations. This report also shows differences between the Notified balance, the Adjustment balances, the Accrued and the Disputed amounts. While the Department recognises that it may not be possible to resolve all variances where disputes or differences in estimation occur, the total variance must be reduced to zero wherever possible.

8.4. For income and expenditure mismatch reports only, the columns are further split by admin and programme categories. Agreement bodies are expected to match the exact admin and programme balances, rather than the gross totals. A third category (admin + programme) is required where, for example, a CCG has a balance with a NHS Trust or NHS Foundation Trust. As NHS Trusts or NHS Foundation Trusts can only record programme balances, the comparison here is admin + programme in the CCG versus just programme in the NHS Trust. Where this occurs, the organisation recording an admin balance should consider whether it was appropriate to do so – see I&E – Admin and Programme Split

8.5. After the issue of variance reports, the timetable may include an opportunity to resubmit balances. It is an opportunity for agreement bodies to update their balances where differences have been resolved since the agreement deadline. Prior to the deadline, bodies should attempt the following:

- **Notified variances –** both organisations should have the same notified balance, being the same as the statement issued (or income under £10k, where no statement is issued). The receivables organisation should lead in resolving the problems.
- **Adjusted variances –** where adjustments do not match, and do not equal the balances not agreed to prior to the deadline, the receivables organisation should request details of the additional balances. Updates

should be made by the payables organisations where balances that could not previously be agreed to now can be.

- **Disputed variances –** where the payables organisation has disputed balances, it is likely that these will not have been resolved. Receivables organisations should contact the payables organisation where the dispute was not known about. If a dispute is accepted by the receivable organisation, both bodies may move the item to the adjustment column, meaning both bodies are in agreement.
- **Accruals variances –** where a difference arises due to an accrued transaction or balance, both parties should attempt to make contact with the counterparty in an attempt to reconcile and resolve the difference. A separate date is included in the Q4 timetable by which discussions regarding accruals should be completed. Mismatches arising as a result contribute towards the overall variance and the Department of Health will follow up large discrepancies in this area.

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

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

9 Resolution of Disagreements

9.1. In order to ensure the balances incorporated into the Department of Health Consolidated Annual Report and Accounts are accurate, and that the overall misstatement is as low as possible, it is important to make sure that any variances are resolved between agreement exercises, and as little as possible needs to be resolved by the year-end.

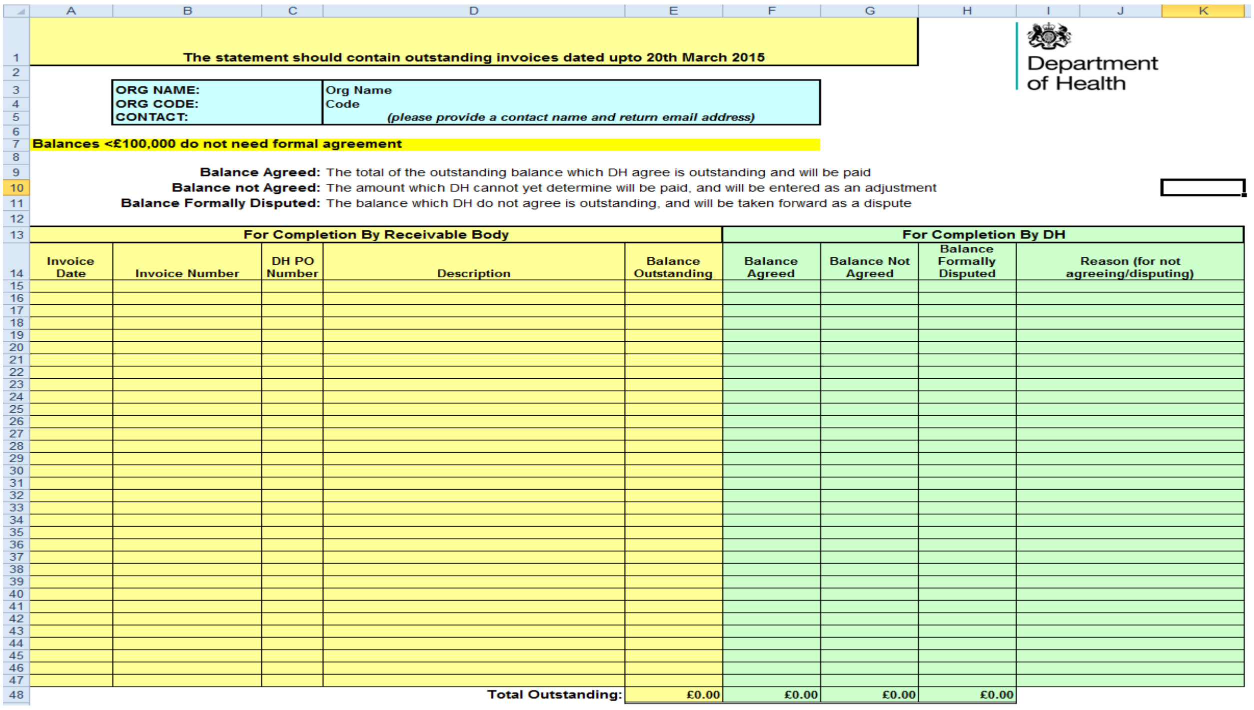
9.2. As it is the absolute difference that contributes to the level of uncertainty regarding the potential misstatement of the Department of Health Consolidated account, it does not matter who is not agreeing the balance, whether it is the receivable or payable (or income or expenditure), which has the higher overall total. It is the absolute difference contributing to the misstatement.

9.3. For this reason, it is extremely important for organisations to agree the correct treatment of admin and programme I&E. If two organisations agree the balance exactly, but one records it as admin income, the other as programme expenditure; then the difference in balances might net to zero, but in the interpretation of the misstatements there are two separate problems – one organisation with an unmatched admin balance, and another with an unmatched programme balance. Therefore this creates a variance twice the size which could have been eliminated through better analysis and agreement of the balance. Organisations are therefore reminded to check their definition of admin and programme is understood prior to entering into the agreement exercise.

Annex 1 – Examples of Statements

Issuing Statements to Organisations

Example of how a good statement looks:



The statement should contain outstanding invoices dated upto 20th March 2015

Department of Health

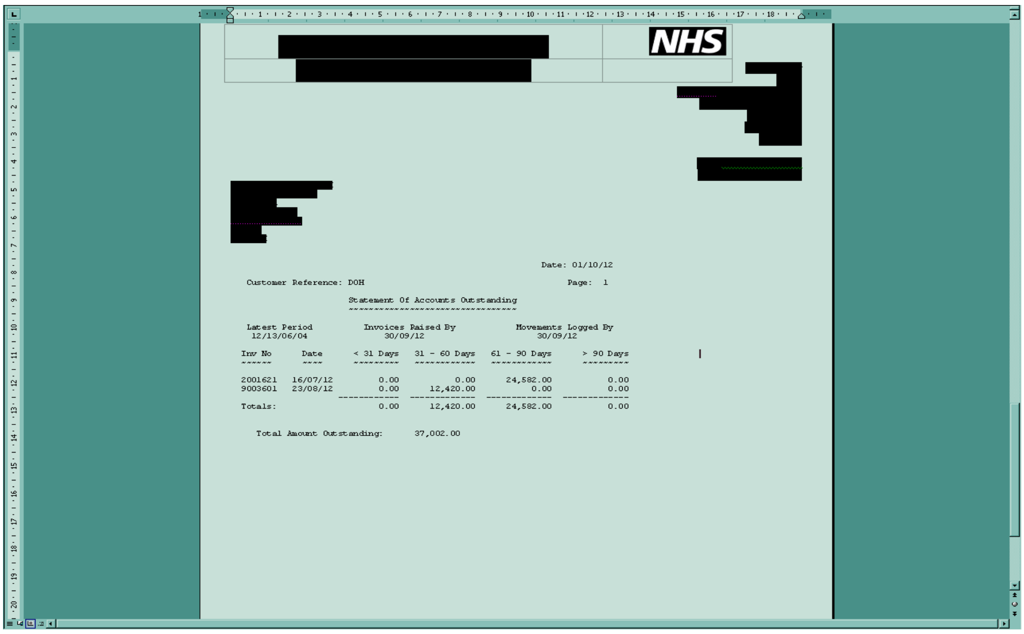
ORG NAME:	Org Name
ORG CODE:	Code
CONTACT:	*(please provide a contact name and return email address)*

Balances <£100,000 do not need formal agreement

Balance Agreed: The total of the outstanding balance which DH agree is outstanding and will be paid
Balance not Agreed: The amount which DH cannot yet determine will be paid, and will be entered as an adjustment
Balance Formally Disputed: The balance which DH do not agree is outstanding, and will be taken forward as a dispute

For Completion By Receivable Body					For Completion By DH			
Invoice Date	Invoice Number	DH PO Number	Description	Balance Outstanding	Balance Agreed	Balance Not Agreed	Balance Formally Disputed	Reason (for not agreeing/disputing)
			Total Outstanding:	£0.00	£0.00	£0.00	£0.00	

Form 1 – a good example of a statement issued .It should be in Excel format. It contains details of the payable and receivable organisation expected to agree balances, full details of the invoices and any additional details and return contact details should be provided, should any queries arise from the statement.



[redacted] NHS

[redacted]

[redacted]

[redacted]

Date: 01/10/12

Customer Reference: DOH Page: 1

Statement Of Accounts Outstanding

Latest Period	Invoices Raised By	Movements Logged By
12/13/06/04	30/09/12	30/09/12

Inv No	Date	< 31 Days	31 - 60 Days	61 - 90 Days	> 90 Days
2001621	16/07/12	0.00	0.00	24,582.00	0.00
9003601	23/08/12	0.00	12,420.00	0.00	0.00
Totals:		0.00	12,420.00	24,582.00	0.00

Total Amount Outstanding: 37,002.00

Form 2 – this statement contains the basic information required by para 3.1. It was issued in Excel format, which allows for copying into a spreadsheet or database. Additional pages of the form allow the payables body to update and return the agreement, as per para 4.9.

Annex 2 – Whole of Government Account – Agreeing and recording balances

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

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

The WGA return is completed by a team separate to the AoB team. Any queries arising from this part of the guidance should be directed to wga@dh.gsi.gov.uk.

Whole of Government Accounts Balance Agreement Process

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

Full guidance can be found on the gov.uk website, at www.gov.uk/government/publications/whole-of-government-accounts-2015-to-2016-guidance-for-preparers , and is usually updated in March. Chapter 9 of the guidance for central government covers the balance agreement in detail, however the key points are summarised below.

Agreement thresholds: as a minimum, CCGs, Executive Agencies, NDPBs and Special Health Authorities (SpHA) are required to agree receivables/income balances over £5m via the HM Treasury standard agreement form (CG01), and respond to any requests to agree payables/expenditure over this amount.

NHS Trusts and NHS Foundation Trusts and other group bodies not yet mentioned are not required to agree balances, but must disclose all balances on the AoB collection forms in line with the guidance below. The table below summarises the requirements by sector.

Reporting and Agreement Requirements	CCGs	NHS Trusts	Foundation Trusts	SpHA and NDPBs	Other DH Body
Agreement*	>£5m	N/A	N/A	>£5m	N/A
Reporting	All	All	All	All	All

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

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

- HMRC (in relation to tax and duties)
- National Insurance Funds
- Academies
- Local Authorities
- Other Public Corporations
- Minor Bodies as defined in agreement with HM Treasury, and listed in Appendix 1 of the HMT Treasury WGA guidance.

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

Reporting WGA balances

Alongside the list of group bodies that form the internal AoB of balances discussions, there is a list of entities required for WGA disclosure. This list is reviewed and updated by the DH WGA team, and the entities most relevant to the departmental group are included. If you believe that an entity is missing, then please contact the WGA Team to discuss further.

The entities are split into the following sectors:

- Non-consolidated NHS bodies which are considered public corporations (NHS Blood and Transplant, Medicines and Healthcare Regulatory Agency)
- Local Authorities (further split into England, Northern Ireland, Scotland and Wales)
- Public Corporations
- Other WGA entities, including central government departments and devolved administrations (including Welsh and Northern Irish health bodies)

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

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

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

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

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

IRT813: Receivables - relating to VAT, other tax and social security receivable from HMRC;

Payables - relating to VAT, other tax and social security payable to HMRC;
Expenditure - relating to social security costs, corporation tax and and other taxation incurred with HMRC;
Income – there is not expected to be any income from HMRC.

Note 1: Pay as you Earn (PAYE)/Income tax deducted from employees salary should be included under payables if it is still due to be transferred to HMRC, and should not be included within the expenditure figure as it is an expense incurred by the employee.

Note 2: *Balances should not be allocated to NIF822 National Insurance Funds.*

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

VOA041 (new): Balances with Valuation Office. This code has been set up due to the large value of transactions VOA have previously indicated they have with group bodies.

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

Annex 3 – Agreement Examples

1. Example 1 - negative adjustments
   If you are the payable organisation, and you do not agree to the total or part of the invoiced amount included on the statement sent to you by the receivable organisation or the invoice has been raised against the incorrect counterparty (but the amount has not yet been formally disputed), the correct treatment is to adjust the balance in the "adjustments" column of the FMA/FTC/Data collection form as follows

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

This is the full amount on the statement received from Organisation A

This is the amount that Org B does not believe is payable. This could be because they have not received the goods or services, they have been incorrectly invoiced.

2. Example 2 – positive adjustments
   A positive adjustment may be recorded where the receivable organisation gives late notification of an invoice, or notifies that the balance previously included on the statement was too low. These adjustments may subsequently cancel out by if they cannot be approved. A positive adjustment may also occur due to invoices appearing on your own reports that were not included within the statement you have received but which you still have as outstanding.

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

This is the full amount on the statement received from Organisation A

This is the amount that Org A has informed Org B that they have mistakenly missed off their statement

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

This is the full amount on the statement sent to Organisation B

This is the amount that Org B has informed Org A that they have mistakenly missed off their statement

3. Example 3 - disputes
   A disputed balance may only be recorded by a payable organisation, as the receivable organisation would not include a balance they do not believe to be owed in the statement they issue. Therefore, the disputes will always create a mismatch between the payable and receivable organisation. Whilst this is an acceptable reason for mismatch, organisations should actively manage the resolution of disputes to keep the level of mismatches to a minimum. Only formally disputed balances in writing should be included here. Figures in respect of disputes are always negative.
   Therefore the following entries would be included by the payable organisation only:

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

This is the full amount on the statement received from Organisation A.

The value of the disputed invoice is input as a negative figure to reduce the total amount

The AoB process relies on invoices being raised and paid in a timely manner. All organisations should endeavour to do this at all times to avoid the need for requesting large numbers of copy invoices.

Statements should be sent by email and excel format is preferable. It is also recommended that the email subject include the name of the organisation sending the statement.

4. Example 4 – future invoices
   Invoices raised relating solely to future periods should be included on receivables statements, but clearly marked as relating to a future period. This is because the receiving organisation (the provider) should be reflecting the fact that the invoice has been physically sent, even though the goods/ services have not been delivered in the

current financial period. Wherever possible, it should be made clear that the provider will be deducting any amount relating to future invoices in the "adjustment" column to remove it from receivables, and the commissioner should do the same in the "adjustment" column to remove the item from payables.

	Payables £000				
	Notified	**Accrued**	**Adjusted**	**Disputed**	**Total**
Maincodes	*7300010 [None]*	*7300020 [None]*	*7300030 [None]*	*7300040 [None]*	*7300099 [None]*
Org Name					
Organisation B (Payable Org)	100		(20)		80

This is the full amount on the receivables statement received from Organisation A.

This is the amount of the invoice raised relating to the next accounting period.

This reflects the amount relating to the current accounting period and will agree to the ledger figure.

The adjustment above would be reflected in Organisation A's receivable statement.

What should be included in the notified, accrued, adjustment and disputed columns?

The AoB process is exactly that, it is a comparison of what the receiver records is outstanding compared to what the payable organisation recognises as a balance outstanding. It does NOT mean an agreement to pay an invoice. If an invoice is not adjusted it does not mean it is agreed to be paid. It simply means the payable organisation recognises that value as an amount owed to the receivable organisation in payable organisations accounts. Commissioning organisations should ensure that their individual responses to Provider statements do not contradict this position. Considering the statement above the notified, accrual, adjusted and disputed columns should be used as follows:

NOTIFIED – this is the amount notified by the Provider as the amount due to them on the receivables statement i.e. invoices raised up to the cut-off date within the relevant AoB timetable. This is the balance notified. In all cases where a statement has been received from an organisation, the figure on that statement should be input in the notified column prior to any adjustments. Any invoices in advance should be marked as such on the statement as they will need to be adjusted out via the adjusted column.

ACCRUED – This should be the value of accruals per the organisations ledger. At Q3, the final submission may not agree to your ledger due to having agreed accruals since the ledger close date.

DISPUTED – only items in formal dispute should be included here. An item is deemed in formal dispute if one party notifies the other party in writing that the invoice is in formal dispute. Proof should be available of this formal notification of dispute. Organisations should only use this column if they are actively addressing the resolution of the disputed items. Invoices not yet approved for payment should not be recorded as

disputed unless a formal dispute has taken place. Only the balance in dispute should be included here (as a negative value reducing the overall payable recognised), this could be a partial value of an invoice

ADJUSTED – all other adjustments to the balances should be included here.

PLEASE NOTE – the sum of NOTIFIED plus ACCRUED less FORMAL DISPUTE minus/plus ADJUSTMENT should equal the balance the organisation considers is receivable/payable against that counterparty and is the balance recorded in the ledger and accounts.

For example, a Trust has raised an invoice totalling £100 and notifies this to the CCG through the receivables statement. The CCG is validating the invoice but believes that there is only £90 as the balance payable against the invoice and has £90 recorded in the ledger though the invoices are subject to final approval. As part of the statement process, the CCG should contact the Trust to advise of the £10 difference. If the Trust agrees with the CCG, they should record the £100 notified in the 'notified' column and the -£10 adjustment in the 'adjustment' column (per section 5.8)

The entries for the CCG (and the Trust if they agree with the CCG) should be as follows:

Notified £100

Accrued 0

Adjusted -£10

Dispute 0

Balance £90

The ledger balance for this provider is therefore £90.

If the Trust does not agree with the CCG, there will be a mismatch.

Annex 4 - Role of the Department of Health and other bodies

The role of the Department of Health

1.1. The Department of Health plays a dual role within the AoB exercise. The Department exists as both an agreement body within the DH Accounting Group, and as the parent entity, is also responsible coordinating the AoB exercise and for the elimination and consolidation of the agreed transactions and balances in to the Department of Health Annual Report and Accounts.

Department of Health as an Agreement Body

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

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

Department of Health as a Parent organisation

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

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

Other Organisations performing a dual role

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

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

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

NHS England Appendices

Appendix 1

NHS England - Local Office (new from 1/4/15)	NHS England - Local Office code (new from 1/4/15)	Primary Care and Secondary Dental	Public Health	Health & Justice	Armed Forces
NHS England - Yorkshire and the Humber Local Office	Q72	✔	✔	✔	
NHS England - Cumbria and North East Local Office	Q74	✔	✔	✔	
NHS England - Cheshire and Merseyside Local Office	Q75	✔	✔		
NHS England - Greater Manchester Local Office	Q83	✔	✔		
NHS England - Lancashire Local Office	Q84	✔	✔	✔	
NHS England - North Midlands Local Office	Q76	✔	✔	✔	
NHS England - West Midlands Local Office	Q77	✔	✔		
NHS England - Central Midlands Local Office	Q78	✔	✔		
NHS England - East Local Office	Q79	✔	✔	✔	
NHS England - London Local Office *	Y56 *	✔	✔	✔	
NHS England - Wessex Local Office	Q70	✔	✔		
NHS England - South West Local Office	Q80	✔	✔	✔	
NHS England - South East Local Office	Q81	✔	✔	✔	
NHS England - South Central Local Office	Q82	✔	✔	✔	✔

* As previously, NHS England - London Local Office (Q71) is dealt with under org code Y56 (NHS England - London Regional Office)

NHS England Appendices

Appendix 2

Providers of Specialised Services 2016 17					
NHS England - Specialised Commissioning Hub Name	Hub Org code	Provider Code	Provider Name	Foundation Trusts / NHS Trust / Other	Acute / Mental Health
NHS England - South West Specialised Commissioning Hub	14F	RTQ	2Gether NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RTV	5 Boroughs Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	REM	Aintree University Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RCF	Airedale NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RBS	Alder Hey Children's NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RTK	Ashford & St Peter's Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RVN	Avon & Wiltshire Mental Health Partnership NHS Trust	NHS Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RF4	Barking, Havering & Redbridge University Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RRP	Barking, Havering & Redbridge University Hospitals NHS Trust	NHS Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RFF	Barnsley Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	R1H	Barts Health NHS Trust	NHS Trust	Acute
NHS England - East of England Specialised Commissioning Hub[(2)]	14E	RDD	Basildon & Thurrock University Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[(2)]	14E	RC1	Bedford Hospital NHS Trust	NHS Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RWX	Berkshire Healthcare NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - West Midlands Specialised Commissioning Hub	14C	RXT	Birmingham & Solihull Mental Health NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - West Midlands Specialised Commissioning Hub	14C	RQ3	Birmingham Children's Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RYW	Birmingham Community Healthcare NHS Trust	NHS Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RLU	Birmingham Women's NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	TAJ	Black Country Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RXL	Blackpool Teaching Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RMC	Bolton NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	TAD	Bradford District Care Trust	NHS Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RAE	Bradford Teaching Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RXH	Brighton & Sussex University Hospitals NHS Trust	NHS Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RXQ	Buckinghamshire Healthcare NHS Trust	NHS Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RJF	Burton Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RWY	Calderdale & Huddersfield NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RJX	Calderstones Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[(2)]	14E	RGT	Cambridge University Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[(2)]	14E	RT1	Cambridgeshire & Peterborough NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[(2)]	14E	RYV	Cambridgeshire Community Services NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RV3	Central & North West London NHS Foundation Trust	Foundation Trust	Mental Health

NHS England - North West Specialised Commissioning Hub	13Y	RW3	Central Manchester University Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RQM	Chelsea & Westminster Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RXA	Cheshire and Wirral Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RFS	Chesterfield Royal Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RLN	City Hospitals Sunderland NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub [2]	14E	RDE	Colchester Hospital University NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RJ8	Cornwall Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RJR	Countess Of Chester Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RXP	County Durham & Darlington NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RYG	Coventry & Warwickshire Partnership NHS Trust	NHS Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RJ6	Croydon Health Services NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RN7	Dartford & Gravesham NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RTG	Derby Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RXM	Derbyshire Healthcare NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - South West Specialised Commissioning Hub	14F	RWV	Devon Partnership NHS Trust	NHS Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RP5	Doncaster & Bassetlaw Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RBD	Dorset County Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RDY	Dorset Healthcare University NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - West Midlands Specialised Commissioning Hub	14C	RYK	Dudley & Walsall Mental Health Partnership NHS Trust	NHS Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub [2]	14E	RWH	East & North Hertfordshire NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RJN	East Cheshire NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RVV	East Kent Hospitals University NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RXR	East Lancashire Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RWK	East London NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - South East Specialised Commissioning Hub	14G	RXC	East Sussex Healthcare NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RVR	Epsom & St Helier University Hospitals NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RDU	Frimley Park Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RR7	Gateshead Health NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RLT	George Eliot Hospital NHS Trust	NHS Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RTE	Gloucestershire Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RP4	Great Ormond Street Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RN3	Great Western Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RXV	Greater Manchester West Mental Health NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RJ1	Guy's & St Thomas' NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RN5	Hampshire Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RCD	Harrogate & District NHS Foundation Trust	Foundation Trust	Acute

NHS England - West Midlands Specialised Commissioning Hub	14C	RR1	Heart Of England NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RWR	Hertfordshire Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[2]	14E	RQQ	Hinchingbrooke Health Care NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RQX	Homerton University Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RWA	Hull & East Yorkshire Hospitals NHS Trust	NHS Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RWA	Hull and East Yorkshire Hospitals NHS Trust (Renal Only)	NHS Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RV9	Humber NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RYJ	Imperial College Healthcare NHS Trust	NHS Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RGQ	Ipswich Hospital NHS Trust	NHS Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	R1F	Isle Of Wight NHS Trust	NHS Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RGP	James Paget University Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RXY	Kent & Medway NHS & Social Care Partnership Trust	NHS Trust	Mental Health
NHS England - South East Specialised Commissioning Hub	14G	RYY	Kent Community Health NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RNQ	Kettering General Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RJZ	King's College Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RAX	Kingston Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RW5	Lancashire Care NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RXN	Lancashire Teaching Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RGD	Leeds & York Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RY6	Leeds Community Healthcare NHS Trust	NHS Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RR8	Leeds Teaching Hospitals NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RT5	Leicestershire Partnership NHS Trust	NHS Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RJ2	Lewisham and Greenwich NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RY5	Lincolnshire Community Health Services NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RP7	Lincolnshire Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RBQ	Liverpool Heart and Chest NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	REP	Liverpool Women's NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RRU	London Ambulance Service NHS Trust	NHS Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RC9	Luton & Dunstable Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RWF	Maidstone & Tunbridge Wells NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	TAE	Manchester Mental Health and Social Care Trust	NHS Trust	Mental Health
NHS England - South East Specialised Commissioning Hub	14G	RPA	Medway NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RW4	Mersey Care NHS Trust	NHS Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RBT	Mid Cheshire Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RQ8	Mid Essex Hospital Services NHS Trust	NHS Trust	Acute

NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RXF	Mid Yorkshire Hospitals NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RD8	Milton Keynes Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RP6	Moorfields Eye Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RM1	Norfolk & Norwich University Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RMY	Norfolk & Suffolk NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[2]	14E	RY3	Norfolk Community Health & Care NHS Trust	NHS Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RVJ	North Bristol NHS Trust	NHS Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RNL	North Cumbria University Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RAT	North East London NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[2]	14E	RRD	North Essex Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RAP	North Middlesex University Hospital NHS Trust	NHS Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RLY	North Staffordshire Combined Healthcare NHS Trust	NHS Trust	Mental Health
NHS England - North East Specialised Commissioning Hub	13X	RVW	North Tees & Hartlepool NHS Foundation Trust	Foundation Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RNS	Northampton General Hospital NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RP1	Northamptonshire Healthcare NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - South West Specialised Commissioning Hub	14F	RBZ	Northern Devon Healthcare NHS Trust	NHS Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RJL	Northern Lincolnshire & Goole NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RX4	Northumberland, Tyne & Wear NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North East Specialised Commissioning Hub	13X	RTF	Northumbria Healthcare NHS Foundation Trust	Foundation Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RX1	Nottingham University Hospitals NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RHA	Nottinghamshire Healthcare NHS Trust	NHS Trust	Mental Health
NHS England - Wessex Specialised Commissioning Hub	13N	RNU	Oxford Health NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - Wessex Specialised Commissioning Hub	13N	RTH	Oxford University Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RPG	Oxleas NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[2]	14E	RGM	Papworth Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RW6	Pennine Acute Hospitals NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RT2	Pennine Care NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub[2]	14E	RGN	Peterborough & Stamford Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RK9	Plymouth Hospitals NHS Trust	NHS Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RD3	Poole Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RHU	Portsmouth Hospitals NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RPC	Queen Victoria Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RXE	Rotherham, Doncaster & South Humber NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - Wessex Specialised Commissioning Hub	13N	RHW	Royal Berkshire NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RT3	Royal Brompton & Harefield NHS Foundation Trust	Foundation Trust	Acute

NHS England - South West Specialised Commissioning Hub	14F	REF	Royal Cornwall Hospitals NHS Trust	NHS Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RH8	Royal Devon & Exeter NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RAL	Royal Free London NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RQ6	Royal Liverpool and Broadgreen University Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RAN	Royal National Orthopaedic Hospital NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RA2	Royal Surrey County Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RD1	Royal United Hospitals Bath NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RM3	Salford Royal NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RNZ	Salisbury NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RXK	Sandwell & West Birmingham Hospitals NHS Trust	NHS Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RCU	Sheffield Children's NHS Foundation Trust (Acute)	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RCU	Sheffield Children's NHS Foundation Trust (MH)	Foundation Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	TAH	Sheffield Health & Social Care NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RHQ	Sheffield Teaching Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RK5	Sherwood Forest Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RXW	Shrewsbury & Telford Hospital NHS Trust	NHS Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	R1C	Solent NHS Trust	NHS Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RH5	Somerset Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - South West Specialised Commissioning Hub	14F	RA9	South Devon Healthcare NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RYD	South East Coast Ambulance Service NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub [2]	14E	RWN	South Essex Partnership University NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - London Specialised Commissioning Hub	13R	RV5	South London & Maudsley NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - West Midlands Specialised Commissioning Hub	14C	RRE	South Staffordshire & Shropshire Healthcare NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North East Specialised Commissioning Hub	13X	RTR	South Tees Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RE9	South Tyneside NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RJC	South Warwickshire NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RQY	South West London & St George's Mental Health NHS Trust	NHS Trust	Mental Health
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RXG	South West Yorkshire Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - East of England Specialised Commissioning Hub [2]	14E	RAJ	Southend University Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RW1	Southern Health NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RVY	Southport and Ormskirk Hospital NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RJ7	St George's Healthcare NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RBN	St Helens and Knowsley Hospitals NHS Trust	NHS Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	R1E	Staffordshire & Stoke On Trent Partnership NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RWJ	Stockport NHS Foundation Trust	Foundation Trust	Acute

NHS England - South East Specialised Commissioning Hub	14G	RTP	Surrey & Sussex Healthcare NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RX2	Sussex Partnership NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RMP	Tameside Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RBA	Taunton & Somerset NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RNK	Tavistock & Portman NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North East Specialised Commissioning Hub	13X	RX3	Tees, Esk & Wear Valleys NHS Foundation Trust	Foundation Trust	Mental Health
NHS England - North West Specialised Commissioning Hub	13Y	RBV	The Christie NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	REN	The Clatterbridge Cancer Centre NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RNA	The Dudley Group NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RAS	The Hillingdon Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - North East Specialised Commissioning Hub	13X	RTD	The Newcastle Upon Tyne Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RQW	The Princess Alexandra Hospital NHS Trust	NHS Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RCX	The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RL1	The Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RFR	The Rotherham NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RDZ	The Royal Bournemouth & Christchurch Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RPY	The Royal Marsden NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RRJ	The Royal Orthopaedic Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RL4	The Royal Wolverhampton NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RET	The Walton Centre NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RKE	The Whittington Hospital NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RWD	United Lincolnshire Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RRV	University College London NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RRK	University Hospital Birmingham NHS Foundation Trust	Foundation Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RTX	University Hospital Of Morecambe Bay NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RJE	University Hospital Of North Staffordshire NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RM2	University Hospital Of South Manchester NHS Foundation Trust	Foundation Trust	Acute
NHS England - Wessex Specialised Commissioning Hub	13N	RHM	University Hospital Southampton NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RA7	University Hospitals Bristol NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RKB	University Hospitals Coventry & Warwickshire NHS Trust	NHS Trust	Acute
NHS England - East Midlands Specialised Commissioning Hub [1]	14D	RWE	University Hospitals Of Leicester NHS Trust	NHS Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RBK	Walsall Healthcare NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RWW	Warrington and Halton Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - East of England Specialised Commissioning Hub[2]	14E	RWG	West Hertfordshire Hospitals NHS Trust	NHS Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RKL	West London Mental Health NHS Trust	NHS Trust	Mental Health

NHS England - East of England Specialised Commissioning Hub[2]	14E	RGR	West Suffolk NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RYR	Western Sussex Hospitals NHS Foundation Trust	Foundation Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RA3	Weston Area Health NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RBL	Wirral University Teaching Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RWP	Worcestershire Acute Hospitals NHS Trust	NHS Trust	Acute
NHS England - North West Specialised Commissioning Hub	13Y	RRF	Wrightington, Wigan & Leigh NHS Foundation Trust	Foundation Trust	Acute
NHS England - West Midlands Specialised Commissioning Hub	14C	RLQ	Wye Valley NHS Trust	NHS Trust	Acute
NHS England - South West Specialised Commissioning Hub	14F	RA4	Yeovil District Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - Yorkshire and the Humber Specialised Commissioning Hub	13V	RCB	York Teaching Hospital NHS Foundation Trust	Foundation Trust	Acute
NHS England - London Specialised Commissioning Hub	13R	RYX	Central London Community Healthcare NHS Trust	NHS Trust	Other
NHS England - London Specialised Commissioning Hub	13R	R1K	London North West Healthcare NHS Trust	NHS Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RXX	Surrey and Borders Partnership NHS Foundation Trust	Foundation Trust	Acute
NHS England - South East Specialised Commissioning Hub	14G	RDR	Sussex Community NHS Trust	NHS Trust	Other

Notes:

(1) Commissioning Hub Name Change: 14D East Midlands Specialised Commissioning Hub - Previously named Central Midlands Commissioning Hub.
(2) Commissioning Hub Name Change: 14E East of England Specialised Commissioning Hub - Previously named East Commissioning Hub.

In addition please note:
The hubs are the default commisioner for specialised spend with the above providers. There are however exceptions relating to spend on Genomics, Proton Beam Therapy, Highly Specialised and CDF Admin Salary Recharges with the responsible commisisoner being Central NHS England (13Q).

NHS England Appendices

Appendix 3

ICP entity	Name	Profile Class/Description	
CBA033	NHS England - Core Central Team	NHS England - Core Central Team	
Y54	NHS England - North of England Regional Office	NHS England - Regional Office	
Y55	NHS England - Midlands & East Regional Office	NHS England - Regional Office	
Y56	NHS England - London Regional Office	NHS England - Regional Office	Note 1
Y57	NHS England - South Regional Office	NHS England - Regional Office	
Q70	NHS England - Wessex Local Office	NHS England - Local Office	
Q72	NHS England - Yorkshire and the Humber Local Office	NHS England - Local Office	
Q74	NHS England - Cumbria and North East Local Office	NHS England - Local Office	
Q75	NHS England - Cheshire and Merseyside Local Office	NHS England - Local Office	
Q76	NHS England - North Midlands Local Office	NHS England - Local Office	
Q77	NHS England - West Midlands Local Office	NHS England - Local Office	
Q78	NHS England - Central Midlands Local Office	NHS England - Local Office	
Q79	NHS England - East Local Office	NHS England - Local Office	
Q80	NHS England - South West Local Office	NHS England - Local Office	
Q81	NHS England - South East Local Office	NHS England - Local Office	
Q82	NHS England - South Central Local Office	NHS England - Local Office	
Q83	NHS England - Greater Manchester Local Office	NHS England - Local Office	Note 2
Q84	NHS England - Lancashire Local Office	NHS England - Local Office	Note 2
13R	NHS England - London Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
13Q	NHS England - Central Specialised Commissioning	NHS England - Specialised Commissioning Hubs	
14C	NHS England - West Midlands Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
14D	NHS England - East Midlands Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	Note 5
14E	NHS England - East of England Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	Note 6
13V	NHS England - Yorkshire and the Humber Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
13X	NHS England - North East Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
13Y	NHS England - North West Specialised Commisssioning Hub	NHS England - Specialised Commissioning Hubs	
13N	NHS England - Wessex Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
14F	NHS England - South West Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
14G	NHS England - South East Specialised Commissioning Hub	NHS England - Specialised Commissioning Hubs	
0AQ	NHS North & East London CSU	NHS England - Commissioning Support Units	
0AR	NHS North Of England CSU	NHS England - Commissioning Support Units	
0AX	NHS South East CSU	NHS England - Commissioning Support Units	
0CE	NHS Cheshire & Merseyside CSU	NHS England - Commissioning Support Units	Note 4
0CX	NHS Midlands & Lancashire CSU	NHS England - Commissioning Support Units	
0DA	NHS Yorkshire & The Humber CSU	NHS England - Commissioning Support Units	Note 4
0DE	NHS Arden & Greater East Manchester CSU	NHS England - Commissioning Support Units	
0DF	NHS South, Central & West CSU	NHS England - Commissioning Support Units	Note 3

Notes

1	As previously, NHS England - London Regional Office, Y56, includes Q71
2	NHS England - Greater Manchester Local Office (Q83) and NHS England - Lancashire Local Office (Q84) were formed when NHS England - Greater Manchester and Lancashire Local Office (Q73) ceased on 31 March 2016
3	NHS South, Central and West CSU (0DF) was formed from the merger of the 3 CSUs: 0AC, 0AE and 0AW
4	NHS Cheshire & Merseyside CSU (0CE) and NHS Yorkshire & The Humber CSU (0DA) are closed. There are no 2016/17 transactions, but have remained as 2016/17 counterparties in case of prior year invoices.
5	NHS England - East Midlands Specialised Commissioning Hub, previously listed as NHS England - Central Midlands Commissioning Hub
6	NHS England - East of England Specialised Commissioning Hub, previously listed as NHS England - East Commissiong Hub

Appendix 4

Revenue Recognition, Gross/Net Accounting and Hosted Services

Before considering whether gross or net accounting is appropriate bodies must first consider **IAS 18 Revenue**. The standard describes revenue as:

"*the* **gross inflow of economic benefits** *during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.*

This Standard shall be applied in accounting for revenue arising from the following transactions and events:

(a) the sale of goods;
(b) the rendering of services; and
(c) the use by others of entity assets yielding interest, royalties and dividends."

"Para. 8 of IAS 18 states that revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, in an ***AGENCY*** *relationship, the gross inflows of economic benefits include amounts collected on behalf of the* ***PRINCIPAL*** *and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission."*

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

Organisations are reminded that the National Agreement of Balances guidance for 2016/17, as previously, sets out that the default is for all transactions to be treated gross. Net accounting is only appropriate where one organisation is acting as an agent to the transaction and has transferred the risks and rewards. The lack of 'profit' in the arrangement does not automatically mean net accounting is used.

An organisation is acting as an agent if it has transferred the risk and rewards and it does not have exposure to significant risks and rewards associated with the sale of goods or rendering of services. For example, in the case of a staff recharge, if the member of staff concerned is off sick for a period of time, if the employing organisation would need to supply someone else to the receiving organisation, then the risks of employment have not been transferred. The employing organisation should use gross accounting. Alternatively, for example, if no substitute employee would be provided and the receiving organisation would continue to pay, this may indicate that the employing organisations has transferred the risks and should use net accounting. This is one factor amongst many and each circumstance should be assessed individually and agreed between both parties but, in line with the principles of IFRS, the default is for all transactions to be treated gross.

IAS 18 further sets out the following criteria that, individually or in a combination, indicate that an entity is acting as a principal. They are as follows:

- *"The entity has the primary responsibility for providing the goods or services to customer or for fulfilling the order.*

- *The entity has the inventory risk before or after the customer order, during shipping or on return.*
- *The entity has latitude in establishing prices, either directly or indirectly.*
- *The entity bears the customer's credit risk on the receivable due from the customer of the service."*

If **ALL** parties involved in the arrangement agree net accounting is appropriate then net accounting may be used.

With regards to the sending of statements where net accounting is appropriate, in the case of staff recharges, the receivable organisation will send a receivables statement (where applicable) to the payable organisation but not an income statement as this is classed as a non-income item (see example 2 in attachment below). The "substance" of the transaction in example 2 is payroll which would not ordinarily form part of Agreement of Balances or attract an Analysis 2 code. In the case of hosted services (example 3 in attachment below), the receivable organisations will send a receivable statement (where applicable) to the payable organisations but not an income statement as this is classed as a non income item. However, in the case of example 3, the "substance" of the transaction is expenditure with FTs. FT income and expenditure does form part of Agreement of Balances and attracts an Analysis 2 code. The FT will send income statements but, **as it is also a party to the hosted service arrangement;** the FT will send income statements correctly to all principals included in the agreement (for their share of the agreement) rather than to the agent alone.

It is recognised that, within NHS England, there are instances where net accounting is appropriate and is agreed. Annex 5 of the Agreement of Balances guidance (included on DH.gov.uk) sets out where NHS England has hosted services which are being accounted for on a net basis.

At all times it is vital that the parties involved assess each individual situation in line with the principles of IFRS and determine whether gross or net accounting is appropriate. Once the accounting treatment has been determined, and all parties agree (including any Foundation Trust/NHS Trust), the agreement should be documented and auditable. All parties should follow the appropriate coding conventions (see excel spreadsheet) to enable consolidation to take place and minimise the level of gross mismatches in the Agreement of Balances Income and Expenditure exercise.

(**Please refer to Annex 6 NHSE Coding For Hosted Services on the DH.gov.uk website**)