



HFMA briefing  
Updated 27 April 2021



# 2020/21 annual report and accounts checklist



## Introduction

The 2020/21 annual report and accounts will be affected by the Covid-19 pandemic perhaps more than the 2019/20 ones were. The financial regime has changed during the year so there are new transactions to account for as well as the need to reconsider the basis for judgements and estimates as there has been no business as usual

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this year<sup>1</sup>. This checklist is intended to help NHS bodies identify the issues that might affect the preparation and audit of the 2020/21 annual report and accounts. It is not a substitute for reading the guidance issued by the DHSC and NHS Improvement and NHS England but is intended to help ensure that issues have been identified and considered.

This includes usual developments in financial reporting as well as the impact of the pandemic. The checklist will be updated as the year-end progresses and guidance is issued.

## Updates

The checklist is available [here](#) – please check that you have the most up to date version. It was first published on 3 March; the box below highlights the changes made since then – all updates will be labelled with the date of the update.

Section updated	Date of update	Summary of the update
Whole checklist	20 April	All of the GAM paragraph numbers have been updated to reflect the version issued on 19 April <sup>2</sup>
Performance report	17 March 1 April	Extended to highlight the importance of documenting the impact of the pandemic in the annual report. Update to include reference to FAQ7 to the GAM in respect of Nightingale facilities.
Accountability report – remuneration and staff report	1 April 20 April	Updated to reflect the revised guidance on off-payroll reporting in both the GAM and the FT ARM. Further updated to reflect a small amendment to the GAM issued as an update to FAQ 10 on 19 April. Additional considerations have been included in relation to impact of the pandemic and associated working patterns on the fair pay multiple.
Going concern	1 April 20 April	The whole section has been revised to reflect the changes to the GAM and FT ARM published on 31 March. For a discussion on what these changes mean, listen to the HFMAtalks podcast with Debbie Paterson and Ian Ratcliffe <sup>3</sup> .

<sup>1</sup> Caroline Clarke (HFMA President), *Painting by numbers*, February 2021

<sup>2</sup> DHSC, *Department of Health and Social Care group accounting manual 2020/21: additional guidance*, updated 19 April 2021

<sup>3</sup> HFMAtalks, *Podcast 31: preparing the 2020/21 annual report and accounts*, 26 March 2021

		Updated to include reference to the NAO's guidance for auditors on going concern.
Accounting policies	1 April 27 April	Updated to reflect the guidance on disclosures for Nightingale facilities Updated to reflect the NHS BSA pension scheme disclosure
Agreement of balances	17 March	Updated to reflect the month 12 guidance and thresholds
(Providers only) Revenue	1 April	Updated to reflect the new classifications for income from patient care services. Update to reflect the guidance in the GAM about the application of IFRS 15 to reimbursement and top-up income.
Operating expenses	1 April	Updated to reflect the requirement to show expenditure on Nightingale facilities separately in the TAC forms
Property, plant and equipment	17 March 1 April 20 April	Updated reference to the accounting guidance issued on 9 and 26 March in relation to diagnostic and imaging equipment, and laptops and other mobile IT equipment. Amendment to the GAM paragraph reference
Inventory	17 March 1 April 20 April	The guidance has been updated to make it clear that centrally procured stock and stock transferred between NHS bodies is not part of the agreement of balances process. Additional guidance has been published on accounting for transfers between bodies, the disclosure requirements were clarified in the guidance update on 26 March. Amendment to the GAM paragraph reference
Receivables/ debtors	17 March 1 April	Guidance will not be issued in relation to opening balances – but NHS providers and commissioners will need to ensure that they are written down by the year-end. This is likely to be by paying them, but it might be agreed locally that they should be written off. Consideration in relation to prepayments has been added.
Provisions	17 March	Updated to reflect the date of the Flowers hearing at the Supreme Court and the NHS Staff Council framework agreement on overtime payments and pay during annual leave.
Events after the reporting period	17 March	Updated to reflect the date of the Flowers hearing at the Supreme Court.
Gifts	17 March	Updated to reflect the guidance on accounting for PPE donated to non-NHS bodies.

Losses and special payments	1 April 27 April	Updated to reflect the requirement to include special payments over £95,000 in the TAC forms. Updated to reflect the reminder that special payments that are over £95,000 or potentially novel, contentious or repercussive must be submitted for HM Treasury approval.
Auditor's annual report	1 April	Updated to reflect the requirement to make the annual audit report publicly available.
PDC dividend (providers only)	20 April	Updated to reflect the amendment to FAQ 6 issued by the DHSC on 19 April

## Deadlines

The deadline for submission of audited accounts for CCGs and NHS providers is **Tuesday 15 June** (9am for commissioners, midday for providers)<sup>4</sup>. For those providers that have agreed an extended timetable with NHS England and NHS Improvement in advance, the deadline is midday on **Tuesday 29 June**. Key dates include:

Final date for providers to apply for the extended submission deadline <sup>5</sup>	19 March 2021
Agreement of balances data submission <sup>6</sup>	27 April 2021
Submission of draft annual report and accounts (except for providers working to the extended deadline)	27 April 2021
Submission of the draft annual report and accounts for providers working to the extended deadline	3 – 11 May 2021
Agreement of balances resubmission	11 May 2021
Audited accounts submission (except for providers working to the extended deadline)	15 June 2021
Audited accounts submission for providers working to the extended deadline	29 June 2021

When deciding whether to apply for the extension, NHS providers need to discuss with their auditor whether they are able to undertake their work to gain sufficient assurance over the accounts to meet the earlier deadline. If auditors have flagged the potential need for the extra two weeks, that should be discussed with them as they may not have the resource to meet the earlier deadline even if the finance team is able to.

## Materiality

<sup>4</sup> DHSC, *Annual report and accounts timetable: 2020 to 2021*, 22 December 2020

<sup>5</sup> NHS England and NHS Improvement, *NHS accounts timetable and year-end arrangements - with provider annex*, 15 January 2021

<sup>6</sup> DHSC, *Annual report and accounts timetable: 2020/21*, December 2020

An annual report and accounts is never 100% correct because it contains judgements and estimates. However, the accounts do need to be materially correct so that they provide a true and fair view. The consideration of materiality when preparing an annual report and accounts is always important but will be particularly the case this year as 2020/21 has been so different to previous years that 'normal' assumptions may no longer hold true.

IAS 1 *Presentation of financial statements* defines materiality as:

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

In the case of public sector annual reports and accounts, according to paragraph 2.5.4 of the *Financial reporting manual 2019/20*<sup>7</sup> (FReM), the key users of government departments' financial statements is Parliament. Paragraph 4.21 of the Department of Health and Social Care's (DHSC) *Group accounting manual 2019/20*<sup>8</sup> (GAM) expands this list for NHS bodies:

- NHS foundation trust's council of governors
- members of an NHS foundation trust
- patients and their carers
- Parliament, including relevant select committees
- NHS Improvement and other regulatory bodies
- the Department of Health and Social Care (DHSC)
- HM Treasury
- boards of directors and audit committees
- local authorities
- health and well-being boards
- sustainability and transformation partnerships (STPs)
- commissioners
- the taxpayer.

While all of the above may be interested in the activities of the NHS body and how public money is being spent, not all will make decisions based on the financial statements.

IAS 1 talks about existing and potential investors, lenders and other creditors. For NHS bodies, the users that will be taking these types of decisions are those with governance responsibilities for the organisation, regulatory bodies, government departments and Parliament. The focus of those organisations is likely to be on expenditure against income/ funding, cash flows and liabilities.

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<sup>7</sup> HM Treasury, *Government financial reporting manual 2020/21*, updated 30 December 2020

<sup>8</sup> DHSC, *Group accounting manual 2020/21*, updated 5 January 2021

Therefore, these areas need to be the focus of attention in preparing accounts and, in these unusual times, less focus could be put on disclosures that are less of an issue for NHS bodies. Consideration could be given to excluding or reducing the detail in notes such as pooled budgets, intangible assets, investments, non-current assets held for sale, financial instruments and related party transactions. On the other hand, other notes or financial information may become more material – inventories and provisions or liabilities for example. The appropriate level of disclosure will vary according to each organisation’s circumstances and will need to be carefully considered.

Auditors will, of course, be concerned with the decisions around materiality. They are required to consider materiality under the auditing standard ISA320 so all decisions around materiality must be discussed with the auditor as early as possible.

If immaterial items are excluded from the annual report and accounts, the auditor may report them to the audit committee in their ISA260 report to those charged with governance – this means that the audit committee will need to be informed of decisions around materiality and will need to be satisfied that immaterial adjustments are not made to the accounts in 2020/21.

## Annual report

Section <sup>9</sup>	Guidance	Reason	Issue	Reviewed?
Performance report	GAM 3.5 NHS foundation trust annual reporting manual (FT ARM) <sup>10</sup> 1.10	Covid-19	The performance analysis is optional to omit in 2020/21 as it was in 2019/20.  If it is not omitted, then any trend analysis will need to clearly explain the impact of Covid-19 on KPIs in 2020/21.  <b>[update 17 March]</b> It will be important that the annual report tells the story of how the NHS body operated during the Covid-19 pandemic and the impact that the pandemic had on the organisation <sup>11</sup> .	
	N/A	Covid-19	The impact of donations to the NHS, even though they will be accounted for through NHS charities, should be acknowledged in the NHS body’s annual report.	
	GAM 5.133 FT ARM 2.24	Covid-19	The impact of the pandemic on payments in advance and the better payment practice code (prompt payment) metrics will need to be disclosed and may need additional narrative.	

<sup>9</sup> Where a section of the annual report has not been included that does not mean that it is not required – it simply means there are no new considerations for that section in 2020/21.

<sup>10</sup> NHS England and NHS Improvement, *NHS foundation trust annual reporting manual 2020/21*, 9 February 2021

<sup>11</sup> Caroline Clarke, HFMA President, *Painting by numbers*, March 2021

Section <sup>9</sup>	Guidance	Reason	Issue	Reviewed?
	GAM 3.25 FT ARM 2.20	New requirement	A summary of how equality of service delivery to different groups has been promoted through the organisation should be included in the performance overview (or performance analysis if included).  <b>[update 1 April]</b> The GAM requires that hosts of Nightingale facilities disclose the nature of the hosting arrangement and pertinent detail regarding the impact of hosting the facility	
Accountability report – remuneration and staff report	GAM 3.78d	Covid-19	The requirement to disclose sickness absence figures has been replaced by inclusion of a link to the NHS Digital information, where that includes the necessary information for the NHS body.	
	GAM 3.104	Updated guidance	The Greenbury pension disclosure guidance <sup>12</sup> has been issued by NHS Business Services Authority (NHS BSA). The inflation rate is 1.7%	
	GAM 3.78e FT ARM 2.82	New requirement	Staff turnover percentage must be disclosed. Where the information is published for the NHS body by NHS Digital as part of their workforce statistics – a link can be provided instead under the Covid-19 reporting requirements.	
	GAM 3.78f FT ARM 2.83	New requirement	Staff engagement percentages from the NHS staff survey.	
	GAM 3.78g FT ARM 2.40 and 2.82	New requirement	Staff policies in relation to appointing, employment and training of disabled employees.  Details of the NHS body's diversity and inclusion policies, initiatives and longer-term ambitions.	
	FT ARM annex 6 to chapter 2  GAM chapter 3 annex 4	Change to reporting requirements and regulation	The disclosures relating to off-payroll appointments has been changed.  <b>[update 1 April]</b> Table 1 now includes all off-payroll arrangements regardless of length and the heading has changed to 'Length of all highly paid off-payroll engagements'  Table 2 now includes:	

<sup>12</sup> NHS Business Services Authority, *Disclosure of senior managers' remuneration (Greenbury) 2020/21*, January 2021

Section <sup>9</sup>	Guidance	Reason	Issue	Reviewed?
			<ul style="list-style-type: none"> <li><b>[update 1 April]</b> a breakdown of the number of off-payroll engagements in the financial year to show whether they were subject to the off-payroll engagement or not, whether they were in scope or out of scope of IR 35</li> <li><b>[update 20 April]</b> the row 'number of engagement where the status was disputed under provisions in the off-payroll legislation' has been replaced with 'Number of engagements reassessed for compliance or assurance purposes during the year'</li> <li>of which: number of engagements that saw a change to IR35 status following review</li> </ul> <p>The extension to the off-payroll working rules (IR35) to the private sector and its consequent implications for NHS bodies has been delayed until April 2021<sup>13</sup>. This may result in different disclosures in 2021/22.</p>	
	GAM 3.71 FT ARM 2.49	Covid-19	<p><b>[added 1 April]</b> As a result of the different working patterns due to the pandemic as well as the use of agency and temporary staff, there may be an impact on the fair pay multiple that will need to be explained in the staff report.</p> <p>Some entities do not include agency staff in this calculation on the basis of materiality, that assumption should be confirmed on the basis of the actual agency costs incurred in 2020/21.</p>	
Annual governance statement (AGS)	N/A	Covid-19	<p>Any increase in attempted fraud will need to be reflected in the AGS.</p> <p>The impact of any changes to governance arrangements, particularly, changes in risks and controls should be considered.</p> <p>The impact of gifts and donations may need to be reflected in disclosures around hospitality registers and conflicts of interest.</p>	
	FT ARM 2.101 and annex 5 to chapter 2	Update to usual reporting requirements	<p>The information governance section of the AGS should include details of incidents notified to the Information Commissioner's Office (ICO) /DHSC in the Data Security Incident Reporting Tool and any action taken by the ICO.</p> <p>NHS trusts should refer to the guidance and template issued by NHS England and NHS Improvement<sup>14</sup>.</p>	

<sup>13</sup> HMRC, *April 2021 changes to off-payroll working for intermediaries*, updated 14 January 2021

<sup>14</sup> NHS England and NHS Improvement, *NHS trusts annual governance statements and certificates for year-end accounts*, 10 February 2021

Section <sup>9</sup>	Guidance	Reason	Issue	Reviewed?
Quality accounts	FT ARM 2.103	Covid-19	<p>There is no requirement for NHS foundation trusts to prepare quality reports anymore.</p> <p>However, all NHS providers still have to prepare a quality accounts in accordance with the Health Act 2009 and associated regulations. These do not need to be included in the annual report but have to be published by 30 June 2021. That deadline is under review by the DHSC but will require an amendment to regulations.</p>	
Auditor's annual report	GAM chapter 2 annex 6	Change to Code of audit practice	All auditors will now issue an annual report under the <i>Code of audit practice</i> <sup>15</sup> . This must be published by the NHS body – the GAM states that the easiest way is for it to be published on the NHS body's website, but it should not be published before the entity's own annual report and accounts. The FT ARM has not been updated in the same way but the requirement to make the auditor's annual report public applies to all NHS bodies.	

## Annual accounts

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
Prior period comparatives	GAM 5.7	Covid-19	<p>It is unlikely that 2019/20 and 2020/21 income and expenditure will be comparable. Additional narrative should explain the reasons for material differences.</p> <p>The difference between comparatives will also impact on any analytical review undertaken by NHS bodies and/ or their auditors.</p>	
Accounting policies	GAM 5.16 and annex 1 to chapter 5 <b>[update 27 April]</b> Pension	Covid-19 and changes to the financial regime	In 2020/21, the financial regime has changed several times and there have been new and different financial arrangements. Accounting policies must cover material transactions so new or different policies may need to be included in the accounts. Changes to accounting policies for 2020/12 may include:	

<sup>15</sup> NAO, *Code of audit practice*, April 2020 (paragraph 4.6)

<sup>16</sup> Where a line/ note in the annual accounts has not been included that does not mean that it is not required – it simply means there are no new considerations for that line/ note in 2020/21.

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
	scheme disclosure		<ul style="list-style-type: none"> <li>• income recognition to reflect the different financial regime during 2020/21</li> <li>• accounting for stock <ul style="list-style-type: none"> <li>• this may be material in 2020/21 when it hasn't previously been</li> <li>• stock may have been purchased by and/or for other organisations</li> </ul> </li> <li>• accounting for Nightingale hospitals and Lighthouse labs <b>[update 1 April]</b> NHS England and NHS Improvement's recommended format for meeting the GAM's disclosure requirements on Nightingale hospitals is available via the provider portals</li> <li>• changes to the PDC dividend calculation</li> <li>• changes to the capital and cash regime</li> <li>• transactions between NHS organisations</li> <li>• consolidation of NHS charities (where they are material).</li> </ul> <p><b>[update 27 April]</b> NHS BSA have provided the pension scheme disclosure note – it reflects the fact that the valuation that is not yet finalised and a report that is due to be issued in April so the wording may change<sup>17</sup>.</p>	
Standards issued not yet implemented	GAM annex 2 to chapter 4	Change to reporting requirements	<p><b>IFRS 16</b></p> <p>In relation to IFRS16, the following disclosures are expected:</p> <ul style="list-style-type: none"> <li>• the title of the standard</li> <li>• the date of implementation – now 2022/23</li> <li>• a summary of what it means in practice</li> <li>• a summary of the impact of the standard <ul style="list-style-type: none"> <li>• on assets, liabilities and reserves</li> <li>• the cumulative impact on reserves</li> <li>• basis for measuring right of use assets on transition</li> <li>• use of practical expedients in relation to reassessment of whether a contract is a lease and low value and short-term leases.</li> </ul> </li> </ul> <p><b>IFRS 17</b></p>	

<sup>17</sup> NHS England and NHS Improvement, *NHS pension scheme disclosure for 2020/21 accounts*, 7 April 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			The effective date for IFRS17 is now 2023/24 <sup>18</sup> but the standard has been issued so will need to be referred to in the accounts. At a minimum the title of the standard and the date of implementation should be disclosed along with a statement that work has not yet started on understanding its impact in the NHS unless work has been undertaken as requested by NHS England and NHS Improvement <sup>19</sup> .	
Key sources of judgement and estimation uncertainty	GAM 5.19	Covid-19	<p>This is an area of audit focus and was the subject of discussion at the pre accounts planning conferences<sup>20</sup>. Also, Covid-19 means that ‘normal’ assumptions cannot be made. When making judgements or estimating amounts the following should be considered:</p> <ul style="list-style-type: none"> <li>• are assumptions appropriate?</li> <li>• has anything changed from the prior year to change assumptions?</li> <li>• what is the justification for changing assumptions or the basis for estimates? There should be a service-related reason not simply a desire to improve the reported financial position</li> <li>• is there any indication of possible management bias?</li> <li>• are significant assumptions consistent with each other?</li> <li>• can assumptions be supported with external evidence?</li> <li>• what alternative assumptions could be made and why have they not been taken</li> <li>• are estimates realistic?</li> <li>• have estimates been ‘stress tested’ against a range of possible outcomes?</li> <li>• have other assumptions been considered? If not, why not?</li> </ul> <p>Auditors may use different assumptions or data when looking at management’s judgements. They will want to test the underlying data and discuss any differences between their assessment and management’s. The impact of the Comptroller and Auditor General’s (C&amp;AG) report on the</p>	

<sup>18</sup> IASB, *IASB decided on new effective date for IFRS 17 of 1 January 2023*, March 2020

<sup>19</sup> NHS England and NHS Improvement, *Financial accounting and reporting updates - IFRS 17 insurance contracts*, posted 8 August 2019

<sup>20</sup> HFMA, *Pre accounts planning conference slides and videos*, February 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			DHSC's annual report and accounts 2019/20 <sup>21</sup> may also mean that auditors are more concerned about management override of controls and the impact of judgements and estimates on financial performance.	
<b>Agreement of balances</b>	GAM 4.25 and DHSC guidance <sup>22</sup> and agreement of balances guidance	Covid-19 and usual year-end issues	<p><b>[update 17 March]</b> Thresholds for agreement of balances<sup>23</sup> have been updated for quarter 4:</p> <ul style="list-style-type: none"> <li>£500,000 for payables and receivables</li> <li>£5m for income and expenditure.</li> </ul> <p>Feedback from the month 9 process is that the level of mismatches is higher in 2020/21 than it was in 2019/20, which is a concern especially as block arrangements were in place.</p> <p>As decisions were made at pace during the pandemic and goods were moved between organisations as they were needed the paper trail may be less than ideal. This may impact on the agreement of balances exercise.</p> <p>Where NHS bodies are merging, it is important to ensure that balances are agreed with the right NHS body<sup>24</sup>.</p>	
<b>Going concern</b>	GAM 4.12 to 4.22 FT ARM 2.13 to 2.18	Update to the manuals	<p><b>[replaced 1 April]</b> The guidance in the manuals has been revised so the focus of management's going concern assessment should be on the continued provision of services rather than financial sustainability<sup>25, 26</sup>.</p> <p>Financial sustainability should be considered and reported separately.</p> <p><b>[update 20 April]</b> Revised guidance has been issued by the NAO on the implications of the updated Practice Note 10 to their audit approach<sup>27</sup>.</p>	

<sup>21</sup> NAO, *The certificate of the Comptroller and Auditor General to the House of Commons*, January 2021

<sup>22</sup> DHSC, *Agreement of balances guidance 2020/21*, 15 December 2020

<sup>23</sup> DHSC, *Agreement of balances 2020/21: quarter 4 (month 12) update*, 17 March 2021

<sup>24</sup> NHS Digital, *Organisation changes*, updated February 2021

<sup>25</sup> HFMAtalks, *Podcast 31: preparing the 2020/21 annual report and accounts*, 26 March 2021

<sup>26</sup> HFMA, *Going concern - assessment and reporting requirements in difficult times*, 21 April 2021

<sup>27</sup> NAO, *Supplementary Guidance Note (SGN) 01: Going concern – auditors' responsibilities for local public bodies*, 16 April 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
Events after the reporting period	GAM 4.267		<p>It is too early to know, but as at least some of the 2021/22 planning process will take place after 31 March 2021, NHS bodies will need to consider whether any changes to the financial regime will need to be reported as non-adjusting events after the reporting period.</p> <p><b>[update 17 March]</b> The Supreme Court appeal in respect of the Flowers case is due to be heard on 22 June 2021 but the judgement will be some time after that. It is unlikely that it will be an adjusting event after the reporting period unless information comes out in the hearing.</p>	
(Providers only) Revenue	GAM 5.66 to 5.69  TAC completion instructions	Covid-19	<p><b>Income analysis</b></p> <p>As block contracts were in place at the start of the year, income analysis will be different and may be an area for judgements and estimates. <b>[update 1 April]</b> the TAC completion instructions<sup>28</sup> includes the new classifications that should be used for the current and prior period.</p> <p><b>[update 1 April]</b> FAQ 13 to the GAM provides guidance on the application of IFRS 15 to the reimbursement and top-up income received as part of the revised financial regime in 2020/21.</p>	
	GAM 5.61	Covid-19	<p><b>Non-NHS income</b></p> <p>Non-NHS income will have been affected by the pandemic and may be less material. The compensation from NHS England and NHS Improvement will need to be separately disclosed.</p>	
	GAM FAQ <sup>29</sup>	Update to reporting requirements	<p><b>NHS injury cost recovery scheme</b></p> <p>The expected rate of non-recovery of NHS injury cost recovery income is 22.43% in 2020/21.</p>	
Operating expenses	GAM 5.44	Covid-19	<p>Covid-19 specific expenditure will need to be identified for financial management purposes. If it is material in 2020/21, then it should be separately disclosed in the operating costs note</p>	

<sup>28</sup> NHS, *TAC completion instructions month 12*, 23 March 2021

<sup>29</sup> DHSC, *GAM 2020/21 additional guidance*, 5 January 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
	TAC completion instructions		<b>[update 1 April]</b> Expenditure on Nightingale facilities should be disclosed separately in the TAC forms.	
	GAM 5.32	Covid-19	Staff costs may include the cost of benefits in kind where the NHS body has set up a settlement agreement <sup>30</sup> .	
	GAM 5.32	Covid-19	Where staff have sold their unused annual leave, this will need to be included in staff costs and may need separate disclosure if material. Equally, the annual leave provision is likely to have changed year on year. See also, <i>Provisions</i>	
Agency staff costs	Year-end accounting guidance	Covid-19	Agency costs are likely to have increased as a result of Covid-19 but still need to be reported against the ceiling <sup>31</sup> .	
Employers' pension contribution paid by NHS England	Year-end accounting guidance FAQ 8 to the GAM	Update to reporting requirements	During 2020/21, NHS employers have been paying an employer contribution of 14.38% to the NHS pension scheme. However, from 1 April 2019, the employers' pension contribution is actually 20.68%. The difference of 6.3% has been funded and paid to the NHS BSA centrally by NHS England.  In NHS bodies' accounts, the full contribution must be recognised by all NHS employers. The fact that it is being paid by NHS England will be reflected in nominal income so the effect on the bottom line is neutral <sup>32</sup> .	
PDC dividend (providers only)	GAM 4.203	Covid-19 and changes to the financial regime	The PDC dividend calculation has been amended to remove the impact of Covid-19 assets. <b>[update 20 April]</b> The guidance on the PDC calculation has been updated to make it clear that centrally procured personal protective equipment (PPE) should be treated as donated assets as part of this calculation.	

<sup>30</sup> HMRC, *PAYE settlement agreements*, accessed 24 February 2021

<sup>31</sup> NHS England and NHS Improvement, *Reducing expenditure on NHS agency staff: rules and price caps*, 17 March 2020

<sup>32</sup> NHS England and NHS Improvement, *Accounting for the central employer pension contributions (6.3%) made by NHS England in 2020/21* updated 21 January 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			<p>Additional levels of donated assets - the PDC dividend policy has been updated to reflect the treatment of donated assets and asset purchased as a result of the Covid-19 pandemic<sup>33</sup>.</p> <p>The amounts of PDC dividend paid may be affected by the change to the capital and cash regime announced<sup>34</sup> in April 2020, where the impact is material additional narrative explanation will be required.</p>	
<p><b>Property, plant and equipment</b></p>	<p>GAM 5.85</p>	<p>Covid-19</p>	<p><b>Valuation</b></p> <p>RICS advice is that material valuation uncertainty declarations are not generally required<sup>35</sup> - the decision whether to include the declaration should be based on individual valuer discretion.</p> <p>Valuers may not be able to undertake a site visit so early discussions should be held on how valuations will be delivered and what type of valuation will be provided.</p> <p>IAS 16 states 'Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.' and the accounting policy in the GAM states 'Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.'</p> <p>There is no requirement to carry out a valuation (full or otherwise) each year or at any specified period. The RICS Red Book does not seem to refer to a full or interim valuation so the valuer should be asked to undertake sufficient work to provide comfort that the carrying amount is not materially different from that which would be determined at the end of the period. How they do that work is for the NHS body and the valuer to determine. However, auditors will then need to consider whether they are satisfied that the requirements of</p>	

<sup>33</sup> DHSC, [GAM additional guidance](#), 5 January 2021

<sup>34</sup> NHS England and NHS Improvement, [Reforms to the NHS cash regime effective 1 April 2020](#), April 2020

<sup>35</sup> RICS, [RICS material valuation uncertainty leaders forum](#), update 5 January 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			<p>IFRS 16 have been met. This should be discussed with auditors and valuers at an early stage.</p> <p>The impact of the pandemic and changes to the way that healthcare is now delivered could trigger impairment reviews for some assets or a reassessment of assumptions on which an MEA valuation is assessed. For example, any modern equivalent asset should be assumed to have Covid-19 appropriate distancing and infection control measures built into the estate.</p>	
	GAM 4.210	Covid-19	<p><b>Covid-19 capital assets</b></p> <p>Purchased and donated capital items will need to be identified and added to the asset register. These assets will have to be clearly identified as Covid-19 assets so that they can be excluded from the PDC dividend calculation - see <i>PDC dividend (providers only)</i>.</p> <p>The useful economic life should also be considered. Some assets will be only used during the crisis and may have a life of less than a year – these should be expensed. Other assets/ capital expenditure, such as adaptations to existing estate, may be kept after the crisis so their useful economic life will need to be determined using all of the usual considerations.</p>	
	GAM 5.91	Covid-19	<p><b>Donated assets</b></p> <p>Members of the public and organisations are donating equipment to NHS bodies as they respond to the pandemic<sup>36</sup>. Whether or not these are being reported through the NHS charity, non-current assets being used by the NHS body must be included in the asset register as donated assets.</p> <p>As with all Covid-19 assets, the useful economic life will need to be considered.</p>	
	[update 20 April] GAM 4.88	Covid-19	<p><b>Centrally procured and loan equipment</b></p> <p>National bodies (NHS England and NHS Improvement, and the DHSC) purchased some equipment that was loaned to NHS bodies as part of the NHS' response to the pandemic.</p>	

<sup>36</sup> HFMA, *Checklist for accepting gifts or donations*, April 2020

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
	Year-end accounting guidance		<p>NHS England and NHS Improvement has issued guidance on how these assets should be reflected in the accounts of the NHS body that is using the assets. This guidance must be followed to ensure that that the equipment is not double counted or missed out of the accounts completely.</p> <p><b>[update 17 March]</b> The process for agreeing balances was updated on 9 March and additional guidance was issued on diagnostic imaging equipment, and laptops and other mobile IT equipment<sup>37</sup>.</p> <p><b>[Update 1 April]</b> the guidance was updated to make it clear that these accounting principles apply to equipment made available as part of the test and trace programme. However, testing kits are not used for the treatment of patients so should not be included in inventory when provided by the DHSC. Where testing kits are purchased by the trust they should be accounted for as normal.</p> <p><b>[update 1 April]</b> Where there is a clear plan to return equipment to the DHSC then a liability may need to be recorded<sup>38</sup>.</p>	
Inventory	Year-end accounting guidance GAM 4.178	Covid-19	<p><b>Type and materiality of inventory/ stock</b></p> <p>The services that NHS providers provided have changed over the year due to the pandemic. Stock of items needed to treat Covid-19 (for example, personal protective equipment and consumables for ventilators) will be much faster moving and may either be higher or non-existent at the year-end depending on deliveries.</p> <p>Other items of stock may not be required at all so may be held off-site or in a different location. Some of that stock may be obsolete by the end of the financial year.</p> <p>The materiality of stock or of certain items of stock needs may need to be reassessed as will the levels of obsolescence.</p>	

<sup>37</sup> NHS, *Update to the year-end accounting guidance*, updated 26 March 2021

<sup>38</sup> HFMA, *Year-end accounting issues 2020/21 webinar*, 19 March 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
	<p>Year-end accounting guidance</p> <p>GAM 4.69 and <b>[updated 20 April]</b> 4.180</p> <p>TAC completion instructions</p>	Covid-19	<p><b>Ownership of inventory/stock</b></p> <p>Items of high value inventory have been purchased by the specialised commissioners at NHS England and NHS Improvement<sup>39</sup> for two years now but, as a result of the pandemic, there has been an increase in centralised purchasing.</p> <p>Guidance has been issued by NHS England and NHS Improvement on how centrally procured inventory will be accounted for. <b>[update 17 March]</b> The guidance has been updated to make it clear that centrally procured stock and stock transferred between NHS bodies is not part of the agreement of balances process.</p> <p>Some inventory/ consumables will be moved to other NHS bodies as patients are seen remotely or in the community. Agreement on the value of the amount transferred and the ownership of this stock will be crucial. Further guidance is expected on this. <b>[update 17 March]</b> Additional guidance has been published on accounting for transfers between bodies. <b>[update 1 April]</b> Clarity has been provided on the disclosures for transfers between trusts.</p>	
	<p>Year-end accounting guidance</p> <p>GAM 4.178</p>	Covid-19	<p><b>Stock takes</b></p> <p>Stock takes were affected by the lockdown in March 2020, where there were material uncertainties these will carry forward to opening balances for stock. NHS bodies need to consider how they can get assurance in relation to stock balances as at 31 March 2021, this may include undertaking stock takes or alternative procedures may be required. NHS bodies will need to assess their own procedures for ensuring stock is accurately counted as well as discussing with auditors what their requirements will be.</p>	
<b>Receivables/ debtors</b>	<p>GAM 4.63</p> <p>Year-end accounting guidance</p>	Covid-19 and change in financial regime	<p><b>Partially completed patient spells (or work in progress)</b></p> <p>From 1 April 2020, the financial regime changed, and contracts were on a block basis or similar. Therefore, provisions for income for patients who are part way through their treatment at 31 March 2021 are not required.</p>	

<sup>39</sup> HFMA, *Centralised inventory procurement*, January 2018

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			<p><b>[update 17 March]</b> Guidance will not be issued in relation to opening balances – but NHS providers and commissioners will need to ensure that they are written down by the year-end. This is likely to be by paying them but it might be agreed locally that they should be written off.</p> <p>Specific guidance has also been issued in relation to the treatment of patients on the maternity pathway.</p>	
		Covid-19 and change in financial regime	<b>[added 1 April]</b> The change in the financial regime may have resulted in prepayments being made to suppliers. Where these are material, additional disclosure may be required <sup>40</sup> .	
	GAM 4.358	Covid-19	<p><b>Expected credit losses</b></p> <p>Amounts due from non-NHS bodies may be at risk as a result of the impact of Covid-19 on the economy. Consideration of expected credit losses will need to be undertaken by type of receivable and based on the experience of each NHS body.</p>	
<b>Payables/ creditors</b>	GAM 5.133	Covid-19	<p><b>Prompt payment</b></p> <p>As part of the financial regime in place during 2020/21, NHS bodies were encouraged to pay suppliers within 7 days of receipt of a valid invoice or the goods/ service<sup>41 and 42</sup>. Even if this was not achieved the levels of cash in the provider sector are likely to mean that performance against the prompt payment target of 30 days is likely to have improved.</p> <p><i>See also Better payment practice code/ late payment of commercial debts (interest) Act 1998/ compliance with public contract regulations 2015</i></p>	
<b>Borrowing</b>	GAM 5.108 Reforms to the NHS cash regime	Change in financial regime	The change in the capital and cash regime from 1 April 2020 means that DHSC loans were repaid on 30 September 2020 with new PDC. The impact on the balance sheet will need to be explained in the appropriate notes to the accounts.	

<sup>40</sup> HFMA, *Year-end accounting issues 2020/21 webinar*, 19 March 2021

<sup>41</sup> Cabinet Office, *PPN 02/20: supplier relief due to coronavirus*, updated 12 January 2021

<sup>42</sup> Cabinet Office, *PPN 04/20: recovery and transition from Covid-19*, updated 25 June 2020

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
	effective 1 April 2020		See also <i>PDC</i>	
Provisions	GAM 4.200	Covid-19	<p><b>Untaken holiday/ annual leave</b></p> <p>NHS bodies are required to establish a provision for untaken holiday at the year-end. The example accounting policies in the GAM state:</p> <p>‘The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.’</p> <p>Usually, there is a limit on the amount of holiday that staff can carry forward. However, due to the pandemic arrangements for carrying forward leave have been relaxed<sup>43</sup>. Therefore, this provision should be revisited in the light of Covid-19.</p> <p>NHS England and NHS Improvement will be providing some funding to cover the cost of the annual leave provision – this should be shown as additional income in the year and may need to be separately disclosed if material. It is expected that additional guidance will be provided in relation to this provision.</p>	
	GAM 4.200	Update on application of policy	<p><b>Clinical pension tax reimbursement</b></p> <p>Clinicians who were members of the NHS Pension Scheme and faced an annual allowance tax charge for work undertaken in 2019/20 could elect to have this charge paid by the NHS Pension Scheme<sup>44</sup>. If this is the case, the employing trust will have a liability to make a payment to that clinician when they retire. Under IAS37, a provision will have to be established. The TAC forms will have an additional column to allow for these provisions to be separately disclosed. NHS England and NHS Improvement will issue guidance on how the provision should be calculated.</p>	
	GAM 4.200	Update on legal case	<p><b>Holiday pay/ overtime</b></p>	

<sup>43</sup> NHS Employers, *Annual leave*, 9 April 2020

<sup>44</sup> NHS England and NHS Improvement, *Pensions tax annual allowance*, updated 11 March 2020

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			<p>There are a number of employment tribunals in relation to whether, and which type of, overtime should be included when calculating holiday pay<sup>45</sup>. Some NHS bodies may need to establish provisions for these claims.</p> <p><b>[update 17 March]</b> The appeal to the supreme court<sup>46</sup> of the Flowers case in relation to holiday pay and overtime is due to be heard on 22 June 2021 – however, the ruling will not be made until after that.</p> <p>The NHS Staff Council has agreed a framework<sup>47</sup> to enable NHS employers in England to correctly interpret the calculation of annual leave pay. The framework includes corrective payments that will be made to staff that are employed on agenda for change conditions in the NHS on 31 March 2021 and have received payments in respect of overtime in a minimum of four months out of the 12 months in the financial year 2019/20 and/or 2020/21. The payments will be calculated by payroll departments using ESR information and will be paid by 30 September. The liability will be nationally funded – consideration should be given as to whether both the liability and the funding are reflected in the 2020/21 accounts. Materiality will be a consideration.</p> <p>As there has been no change in the legal position during 2020/21, NHS bodies will only need to amend their provision if new information has come to light within the organisation.</p>	
	GAM 4.200	Update on regulation	<p><b>Redundancy provisions</b></p> <p>The <b>Regulations</b> in relation to the £95,000 cap on exit packages were due to apply from 4 November 2020. However, on 12 February, the government revoked the cap using a Direction until the regulations can be revoked<sup>48</sup>. Where staff had a capped exit payment between November 2020 and February 2021, that will now need to be revisited.</p>	

<sup>45</sup> HFMA, *Holiday pay and overtime – accounting and governance issues*, February 2020

<sup>46</sup> Supreme Court, *Permission to appeal*, March 2020

<sup>47</sup> NHS Employers, *Agreed framework published on overtime payments and pay during annual leave*, 12 March 2020

<sup>48</sup> HM Treasury, *Guidance on public sector exit payments*, 12 February 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			Other redundancy provisions need to be reviewed in the light of the removal of the cap.	
	GAM 2.36	Budgeting guidance	<p><b>Provision vs accruals</b></p> <p>From the DHSC’s perspective, it is important that accruals and provisions are properly classified as they have a different impact on the revenue departmental expenditure limit (RDEL).</p> <p>For NHS bodies, the decision whether a liability is a provision, or an accrual does not make any difference to the bottom line and is largely presentational. However, for NHS England and NHS Improvement, and the DHSC, the difference between a provision and an accrual makes a difference to their position against their financial targets<sup>49</sup>.</p> <p>NHS England and NHS Improvement, and the DHSC have two revenue limits:</p> <ul style="list-style-type: none"> <li>• departmental expenditure limits (DEL) – this is expenditure that is considered to be under management’s control. The vast majority of the NHS’s revenue spend is DEL. This is the target that both organisations’ performance is judged against and in the past few years it has been met by very narrow margins</li> <li>• annually managed expenditure (AME) – this is expenditure that is outside of management’s control, for example – impairments which are the result of changes in market values and the establishment of provisions. The AME limit is more generous and performance against this limit is less of a concern.</li> </ul> <p>Accruals hit RDEL when they are established. However, provisions do not hit RDEL until the cash is paid and the liability is discharged. The establishment of a provision hits AME.</p> <p>Eventually, all provisions and accruals will be a charge to DEL and the difference between the two is a matter of timing. The financial position of the DHSC group means that auditors take an interest in the classification of accruals and provisions. As the DEL impact occurs when the provision is paid</p>	

<sup>49</sup> HM Treasury, *Consolidated budgeting guidance 2020/21*, March 2020

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			out, NHS England and DHSC use the expected timing of cashflows information to manage their future financial position. This part of the note to the accounts therefore needs to be as accurate as possible.	
	GAM 5.19		<b>Judgements and estimates</b> See also <i>Key sources of judgement and estimation uncertainty</i> .	
<b>PDC</b>	GAM 5.164 Reforms to the NHS cash regime effective 1 April 2020	Change in financial regime	The change in the capital and cash regime from 1 April 2020 means that DHSC loans were repaid on 30 September 2020 with new PDC. The impact on the balance sheet will need to be explained in the appropriate notes to the accounts.  See also <i>Borrowing</i>	
<b>Better payment practice code/late payment of commercial debts (interest) Act 1998/ compliance with public contract regulations 2015</b>	GAM 5.133		To try to mitigate the impact of Covid-19 on the economy, the government has asked all public bodies (including NHS bodies) to pay suppliers within 7 days <sup>50</sup> . This will impact on performance against the better payment practice code in 2020/21.  See <i>Performance report</i>	
<b>Related party transactions</b>	GAM 5.179	Covid-19	NHS bodies must disclose the main entities within DHSC group that they have to transact with, but details do not have to be provided. Covid-19 may have changed the main entities with which NHS bodies work and transact.	

<sup>50</sup> Cabinet Office, *Procurement Policy Note 02/20: Supplier relief due to COVID-19*, March 2020

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			Some NHS bodies may have material transactions with the NHS charity (where the NHS body is corporate trustee) that will need to be disclosed if the charity is not consolidated as part of the NHS body's group.	
Losses and special payments	GAM 5.184 TAC completion instructions	Change to regulation	<p><b>Audit attention</b></p> <p>The audit report on the DHSC annual report and accounts 2019/20<sup>51</sup> included reference to the arrangements for approval of special payments. While the issue was at the national level, it is likely that auditors will pay additional attention to the losses and special payments disclosures in 2020/21. Care should be taken to ensure that the appropriate classification is used and that all losses and special payments are properly authorised.</p> <p><b>[Update 1 April]</b> Special payments over £95,000 must be disclosed in the TAC forms</p> <p><b>[update 27 April]</b> NHS England and NHS Improvement have issued a reminder that proposed special payments that are either above £95,000 and/or considered potentially novel, contentious or could cause repercussions elsewhere in the public sector, should be submitted for HM Treasury approval.</p>	
		Covid-19	<p><b>Covid-19 impact</b></p> <p>At the start of the year, new contracts were put in place at pace to ensure that appropriate supplies were available to manage the impact of the pandemic. It may be that some contracts did not provide appropriate goods and services so there will be losses recorded as a result or were simply not good value for money (see <i>Better payment practice code/ late payment of commercial debts (interest) Act 1998/ compliance with public contract regulations 2015</i>).</p> <p>Normal NHS services were not provided during the first wave of the pandemic and, to a lesser extent, for the rest of the year. It is possible that some supplies would need to be written off as they were not used by their use by</p>	

<sup>51</sup> NAO, *The certificate of the Comptroller and Auditor General to the House of Commons*, January 2021

Statement/ note <sup>16</sup>	Guidance	Reason	Issue	Reviewed?
			<p>date. These write offs will need to be recorded in the losses and special payments note.</p> <p>The measures taken during the pandemic may pose an increased risk of fraud and the number of attempts to de-fraud the NHS may have increased<sup>52</sup>. Where losses have been identified as a result, these need to be fully disclosed.</p>	
<b>Gifts</b>	GAM 5.191	Covid-19	<p>NHS bodies are required to disclose gifts that they make over £300,000.</p> <p><b>[update 17 March]</b> If material amounts of inventory (PPE) have been given to non-NHS bodies then this should be disclosed as a gift. Donations of PPE to other NHS bodies do not count as gifts.</p> <p>There is no requirement to disclose gifts received. However, if gifts are material, consideration should be given to whether a narrative disclosure would be necessary. See <i>Performance report</i></p>	
<b>Consolidation</b>	GAM 4.229	Covid-19	<p>NHS bodies and NHS charities have seen an increase in gifts and donations. For those NHS charities with a corporate trustee, this may mean that the charity is material to the overall group and therefore should be consolidated<sup>53</sup>.</p>	

<sup>52</sup> NHS Counter Fraud Authority, *Protecting the NHS from fraud during Covid-19*, accessed 26 February 2021

<sup>53</sup> HFMA, *Guidance on the consolidation of NHS charities*, January 2021

## About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For nearly 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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