



England

Commissioner Workshop

HFMA Pre-Accounts Planning

Presented by:

Rachel Owen, Head of Group Accounting and
Taxation

Overview of new NHS England structure

<p>Financial Control: Group Accounting and Taxation</p> <p>Rachel Owen</p>	<p>Team responsible for:</p> <ul style="list-style-type: none">• Statutory accounting and reporting for NHS England group• Month 9 and Month 12 ICB_CSU template• Liaison with NAO• NHS England Group capital reporting• Lead for taxation across NHS England group
<p>Financial Control: Provider Financial Accounting</p> <p>Ian Ratcliffe Eleanor Shirtliff</p>	<p>Team responsible for:</p> <ul style="list-style-type: none">• Statutory accounting and reporting for providers• Month 9 and month 12 'TAC' schedules• Liaising with audit community• Implementing DHSC agreement of balances process
<p>Activities conducted in other teams</p>	<ul style="list-style-type: none">• NHS England AOB process (Consolidation and reporting team)• IR35• Process for approvals of special payments / special severance payments• Cash and transacting flows in the NHS• Service auditor reports



Agenda

Financial Delivery and Reporting

- Key messages

Financial Control: Provider Accounting

- 2022/23 mop up
- 2023/24 month 9 feedback
- Looking ahead
- Taxation update

Questions

Financial delivery and reporting



Elective Recovery Fund

Year end Process

- ERF process is about allocation of funding to Commissioners
- Figures for 2023/24 entitlement calculated by NHS England using month 1-9 activity sent to regions / systems for review and feedback
- Dry run calculation using month 1-8 figures – with regions at present
- NHS England will adjust 2024/25 ERF targets for material differences in Q4 performance
- Important to work together in systems to ensure accurate understanding of activity



Industrial Action impact

Year end Process

- Industrial Action (IA) happened in Dec and Jan and announced for Feb.
- We have collected information at month 9 and month 10 for reference and to inform the financial position.
- Going forwards not looking to collect IA in monthly forms.
- Expect to issue funding based on central calculations.
- Organisations and systems then expected to manage the position.

PFI / IFRS16 remeasurement – PDC dividend gain

Year end Process

- PFI – PDC dividend gain because of the technical changes.
- We will be collecting details at month 11 more detail at the webinar.
- We need to understand the position in local systems regarding this windfall gain.
- Systems should be prudent and not assume or rely on this funding to deliver system positions
- The adjustment will be actioned similar to PFI financing costs where the cost pressure has been removed from system performance.
- The change creates a national pressure on DHSC budgets.
- It also creates a technical pressure for the national NHS England position.
- We appreciate your support with this complex situation.



Technical Areas

Year end Process

- NHS England now responsible for ALL technical areas.
- Important organisation continue to forecast and report as accurately as possible.
- Key areas
 - Provisions (19 providers being contacted £5m move)
 - Credit Loss allowance (5 providers being contacted £5m move)
 - PFI – PDC div as previously – **NEW**
 - Depreciation – **NEW**
 - 5 providers for M10 forecast last year £5m last
 - 10 providers YTD to FOT



Cash

Year end Process

- NHS England looked to distribute more cash at month 12.
- ICBs had increased resource levels to enable them to draw increased cash in March.
- Hopefully, this has enabled increased cash to flow to providers.
 - Aim is to assist cash flow generally.
 - Improve BPPC which remains a key target.

Webinar & Reporting timetables



Monthly timetable

Collection period	Key messages webinar (10am) and slides issued (WD-3)	Key messages Q & A published (WD-2)	PFR / IFR changes webinar (WD-1 last working day of the month)	Issue PFR / IFR and guidance (WD1)	PFR / IFR changes webinar (10am) Q & A published (WD1)	Providers supply PFR with DRAFT key data to ICB (WD6)	PFR Fixer issue (WD9)	Providers supply PFR with FINAL key data to ICB (WD9)	ICB submit FINAL IFR to national team (WD10)	PFR Submission date for organisations (copied to system) (WD 11 MIDDAY excl m9 & m12)
Month 11 February	Tuesday 27 February	Wednesday 28 February	Thursday 29 February	Friday 1 March	Friday 1 March	Friday 8 March	Wednesday 13 March	Wednesday 13 March	Thursday 14 March	Friday 15 March
Month 12 Draft Accounts	Tuesday 26 March	Wednesday 27 March	Thursday 28 March	PFR Tuesday 26 March IFR Tuesday 2 April	Tuesday 2 April	Wednesday 10 April (WD7)	TBC	Tuesday 16 April (WD11)	Wednesday 17 April 12:00PM (WD12)	Wednesday 24 April
Month 12 Final Accounts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Friday 28 June

Monthly timetable

Draft year-end ICB / NHS England timetable:

Working Day	Date	Action
WD-3	Tuesday 26 March	Key Messages Webinar
WD-3	Tuesday 26 March	PFR templates / guidance issued by national team
WD-1	Thursday 28 March	PFR / IFR changes webinar
WD1	Tuesday 2 April	IFR templates / guidance issued by national team
WD7-11	Wednesday 10 – Tuesday 16 April	Draft PFR submission (tab 99. Key Data) emailed from NHS providers to ICBs. Local submission only - no national review at this stage. System discussion (including regions) to agree financial position. NHS providers to resubmit PFR to ICB as required.
WD11	Tuesday 16 April 5:00PM	AP12 ISFE hard close.
WD11	Tuesday 16 April	Latest date that NHS providers can submit PFR (tab 99. Key Data) to ICB. Provider rec points should be FINAL.
WD12	Wednesday 17 April 12:00PM	ICBs submit IFR to national finance ensuring that it reflects the final, agreed financial position for the ICB and system (including provider rec points).
WD12	Wednesday 17 April 8:00AM	AP13 ISFE opens.
WD12-14	Wednesday 17 – Friday 19 April	Initial review of figures submitted by national team.
WD14	Friday 19 April 5:00PM	AP13 ISFE closes
WD17	Wednesday 24 April	ICB M12 accounts template submission to national team Full PFR (TAC) submission to national team (12:00PM)

Questions



Financial Control: Group Accounting

2022/23 mop up

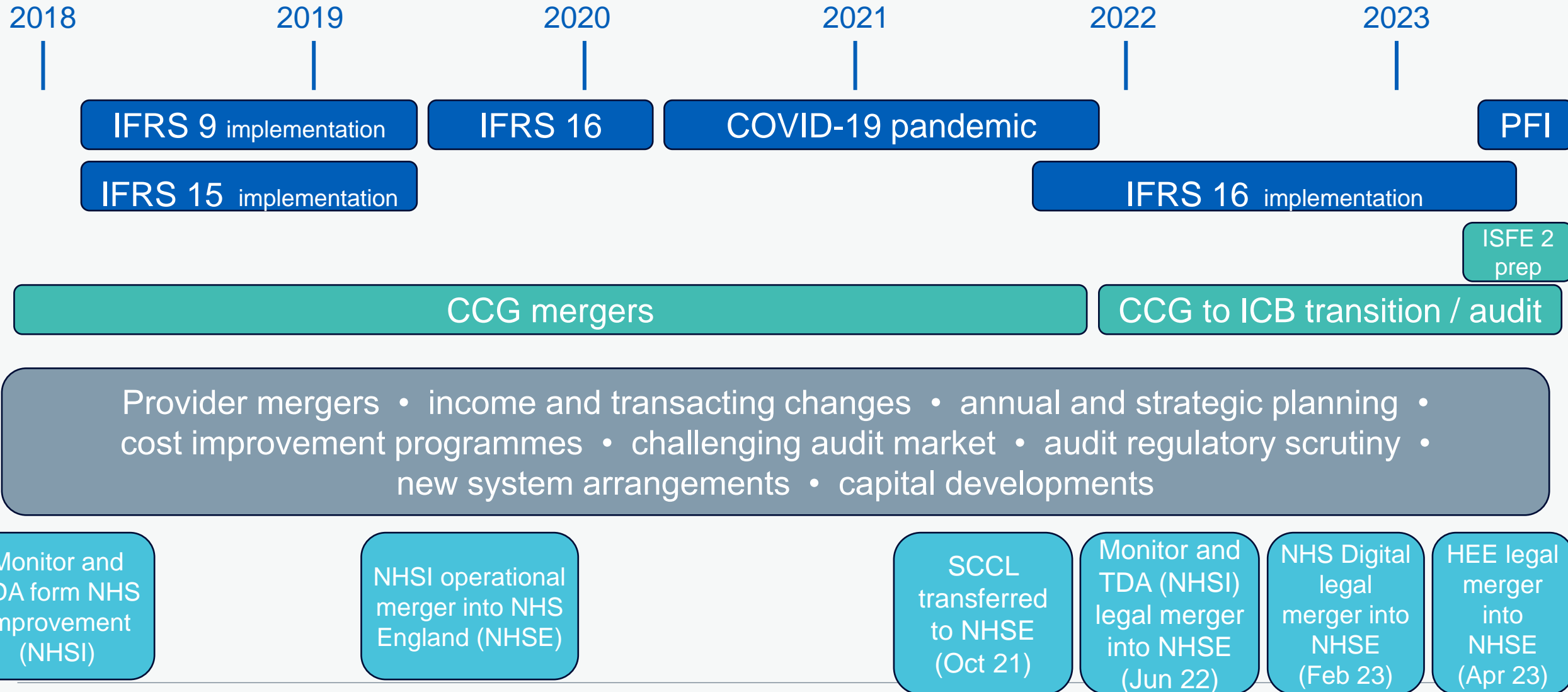
2023/24 month 9 feedback

Looking ahead

Taxation

Your questions

Financial reporting for NHS bodies



NHS England group account

- Laid in Parliament on 25 January 2024.
- Contained a report from the C &AG.
- Finalised with 8 component entities unaudited.
- Qualified regularity opinion again due to irregular payments to suspended medical practitioners.

Local audits

- At 31 October 134 audits had been completed.
- 8 entities are still outstanding with no definite completion date.
- Challenges include lack of evidence to support accruals especially CHC.



22/23 headlines







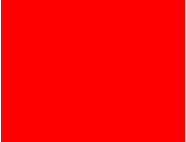

- Unadjusted errors in the CCG/ICB accounts were once again driven by errors in accruals.
- The most common error related to accruals for prescribing costs.
- The total errors for the audited bodies amounted to a net overstatement of expenditure of £205m (21/22 £130m)

22/23 audit opinions

	2022-23	2021-22
True and Fair qualification	-	-
Emphasis of Matter	98	94
Other matters	1	1
Regularity qualification	4	9
Value for money qualification	8	4
Total modified audit opinion	111	108

- The emphasis of matter modifications all related to the demise of CCGs and the creation of ICBs
- The other matters modification related to an entity being unable to obtain a closing CETV
- Four regularity qualifications were made where entities breached their revenue resource direction
- The value for money qualifications related to significant weaknesses in VFM arrangements and included categories such as financial stability, governance and efficiency and effectiveness

Timeliness of national accounts: managing risks

	2022/23	2023/24
Timely appointment of local external auditors		
Capacity of local audit firms: including setting timetable, liaising on issues, each firm managing their issues, impact of other sectors		
Impact of accounting and reporting changes and local body preparedness		
Local delayed accounts and managing issues to resolution		

Financial Control: Group Accounting

2022/23 mop up

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Month 9 feedback and areas to consider for year end





Month 9 submissions

- All submissions received on time
- Overall quality has dipped
- Significant number of manual adjustments required



Month 9 submissions

Detailed areas for consideration at year end

- Receipt of allocation is not income.
- Late allocations led in many cases to expenditure accruals that did not necessarily meet the definition of a liability.
- Significant increase in exit package disclosures. Ensure all relevant approvals are obtained and disclosure between provisions and accruals is considered.
- IFRS 16 disclosures



Accruals

Accruals – liabilities to pay for good or services that have been received or supplied but have not been paid, invoiced or formally agreed.

- Entities need to review controls and processes to ensure
 - There is factual evidence to support an accrual
 - For judgemental accruals the calculation methodology must be robust and supported by relevant independent evidence.
 - Workings must be clearly explained and sources to support balances must be clearly identifiable.
 - Accruals must be classified correctly in particular payables v accruals and NHS v Non NHS.
 - Ensure accruals listings are prepared accurately and cleansed eg it should not be a ledger listing, contras should be removed, A2 recodes removed to leave underlying transaction and debit balances investigated and appropriately classified.



Accruals – key areas of focus

Accruals – liabilities to pay for good or services that have been received or supplied but have not been paid, invoiced or formally agreed.

- Late allocations
 - Ensure that any accruals can be adequately supported.
- CHC accruals
 - Due to the volume of activity may be an area requiring significant judgement.
 - Ensure the entity has adequate processes in place to support balances based on information taken from CHC systems.
- POD accruals
 - New area this year for ICBs for dental and optometry in particular.
 - Document accrual methodology and discuss with your auditors early to avoid delays during audit window.

POD – a reminder

- 2023-24 all ICBs were fully delegated from beginning of April 23
- Cut over from Regions to ICBs
 - April 2023 NHS BSA Reports from eDEN system for actual Dental charges were available in May 23
 - April 2023 NHS BSA Reports from ePACT2 for actual Pharmacy Remuneration were available Jun 23

		2022-23	2023-24		
		Mar	Apr	May	Jun
Delegated Dental	Regions	Mar accrual	Mar actuals		
	ICBs Delegated in 23-24		Apr accrual		
Delegated Pharmacy Remuneration	Regions	Feb and Mar accrual	Feb actuals and accrual Mar	Mar actuals	
	ICBs Delegated in 23-24		Apr accrual	Apr and May accrual	



Provisions

Liability of uncertain timing or amount

- Classification of provisions v accruals is important both for individual entity statutory accounts and the impact on NHS England group outturn against budgetary limits.
- If a significant change in provisions is expected consult with your regional team as soon as possible.
- Remember to check the guidance on coding of dilapidation provisions that was issued earlier in the year.

IFRS 16 reminders

Cost vs valuation

The cost model under IFRS 16 can function as a proxy for valuation where:

- Lease arrangements contain provisions to update rental payments for market conditions (rent reviews / inflationary uplifts)
- Assets have shorter lives or lower values (eg non-property assets)

When to apply a revised discount rate

- ✓ Change in lease term
- ✓ Change in assessment of a purchase option
- ✓ Lease modifications
- x Changes in an index or rate including market rent reviews **do not** use a revised discount rate
- Release of a new incremental borrowing rate by HM Treasury **does not** trigger a remeasurement.

Modification vs remeasurement

- A lease modification if a change to the terms and conditions of the lease
- A lease remeasurement is a reassessment of the liability
- A market rent review (in the original terms of the lease) is not a lease modification



Month 12 templates

- Month 12 ICB_CSU template
- No significant changes planned
- Potential amendments to IFRS tab to improve validation and quality of data.
- Timetable will be presented at the NHSE finance roadshow on Monday 26 February.
- At year end please remember to
 - Check all yellow cells are completed even if zero.
 - Ensure there are no manual adjustments (NB if you are an entity with late audit adjustments please contact us if you have any questions)
 - Ensure the TB is the final version run after 19 April 2024.
 - Complete all soft validations with an appropriate comment.

Year end – miscellaneous



Losses and special payments

- Continue to be a significant area of focus
- All special severance payments require approval regardless of value
- All special payments of any kind above £95,000 require approval in advance of payment. If in doubt please get in touch with our assurance team england.assurance@nhs.net
- Further details are included in the timetable letter that was issued earlier this month.



NAO audit code changes consultation

- NAO consultation closes 7 March
- Mostly linked to wider package of measures for local government
- NHS relevance, proposed from 2023/24:
 - Proposes that auditors issue their auditor's annual report to NHS bodies by one month after the audit report – but could also issue earlier than the audit report if in public interest to do so
 - Proposes removing the 'special reporting provisions' introduced in 2020/21 which has enabled auditors to report their conclusions on proper arrangements for value for money ('VFM') later than the opinion on the financial statements. This change would restore combined reporting at the time of issuing the audit report. **Therefore: important to support auditor's VFM work or may hold up accounts audit opinion.**

Financial Control: Group Accounting

2023/24 updates

PFI remeasurement: month 9

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IFRS 17

The new standard for the recognition, measurement, presentation and disclosure of in scope insurance contracts

- HM Treasury IFRS 17 application guidance published July 2023:
<https://www.gov.uk/government/publications/government-financial-reporting-manual-application-guidance>
- Application from 1 April 2025 but with comparatives so 1 April 2024 is transition date
- HMFA PAP session on Wednesday explained the Standard and application
- *Probably* not huge impact but we don't know what we don't know. Please have a think about where you might be the **issuer** of insurance:
 - e.g. a contract with private sector supplier with guarantees that transfers some insurance risk or might commit to make good any losses incurred?
 - Refer to Standard and HMT application guidance
- HFMA briefing: <https://www.hfma.org.uk/publications/ifrs-17-insurance-contracts>

Financial Control: Group Accounting

2023/24 updates

PFI remeasurement: month 9

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Taxation update

Your questions



Taxation update

Latest topics to be aware of.

- **S41 reform**

- Work ongoing with HMT focussing on identifying the consequences of reform across government.
- No roadmap available as yet but there may be another data collection request this year.
- Current message is business as usual and ensure VAT is being accounted for appropriately.

- **Partial exemption**

- Updated statement of practice will be applicable from 1 April 2024.
- Key that entities have considered the impact on their partial exemption processes.
- HMRC are running a webinar specifically for NHS bodies on 27 February 2024. (Register via this link <https://attendee.gotowebinar.com/rt/2454988900237672031>)



Taxation update

Latest topics to be aware of.

- **Making Tax Digital**
 - Delayed again until 1 April 2025 at the earliest.
- **Northumbria VAT case**
 - Relates to the charging of VAT on the provision of car parking.
 - Appeal heard at the Court of Appeal earlier this month.

Financial Control:Group Accounting

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Your questions

Questions



Thank You



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