Chapter 4
NHS debtor/creditor balances and income and expenditure agreement process
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4. NHS debtor/creditor balances and income and expenditure agreement

NHS Wales Agreement Process

Introduction

4.1 This chapter provides guidance on the completion of the debtor/creditor balances, and income/expenditure transaction statements.

4.2 From 2013-14 there was a requirement for two TMS returns
   - TMS 1 which records all transactions and balances for NHS Wales Trusts. Local Health Boards and Welsh Local Authorities.
   - TMS 2 which records accounts values for transactions and balances for NHS Trusts, LHBs and Welsh Local Authorities and reconciliation sheets for Government Departments other than Welsh NHS Trusts, LHBs and Welsh Local Authorities.

4.3 TMS 1 submission – Month 6 8 12 unaudited and audited accounts.

4.4 TMS 2 submission - unaudited and audited accounts.

4.5 The figures refer to total for the balances and transactions with the body not an individual item balance or transaction.

4.6 The debtors arbitration process is applicable in full for NHS Wales bodies, guidance note the final arbitration submission date of the 10th working day of April, to deal with 2016/17 disputes. The intention is to provide a response to organisations to reflect the decision in Draft Accounts submission. The guidance issued in 2015/16 covered a two year period. The guidance will be refreshed again for the 2017/18 year.

4.7 The following are required for agreements with the Welsh Government (WG) only
   - All NHS debtor, income statements excluding debtors and agreements must be in an excel format.
   - Organisations sending in income statements to WG containing invoiced debtor transactions should clearly identify the transactions that are unpaid agreement format is attached (see Annex 2).
   - Net FIS Funding should be split across the following 6 categories
     - LHB Revenue allocation
     - Capital Allocation
     - GMS Contract
     - Pharmacy Contract
     - Dental Contract
     - FHS Non Cash Limited
   - Non invoiced miscellaneous income should be split across the following 5 categories as a minimum detailing the monthly or quarterly receipts as appropriate.
     - GP Registrar
4.8 NHS Wales organisations must separately detail recoverable and non-recoverable VAT separately as part of their agreement schedule.

4.9 The agreements process is debtor led.

4.10 All NHS debtors and creditors must be recorded (together with NHS accruals at year-end). These totals exclude provisions that are recorded in the accounts as “provisions for liabilities and charges”. The Health Board/Trust memoranda statements (MSA and B) provided for this purpose must be used. This requirement extends to all revenue balances with:

- All NHS bodies anywhere in the UK.
- Welsh Government (WG)
- Welsh Health Specialised Services Commission (WHSSC/EASC)
- Central Government Account Bodies
- Local Authorities, Public Corporation and Trading Funds.

4.11 While all annual accounts balances must be capable of verification, there is an additional requirement for reconciliation of WG, WHSSC/EASC, NHS Wales Local Health Boards, NHS Trusts balances and transactions where agreement is required for amounts greater than £1k.

4.12 NHS Wales Local Authorities, Other Local Authorities, Central Government Accounts (CGA) bodies and NHS WGA bodies balances must be agreed as per HMT timetable.

4.13 The process for NHS Wales Health bodies WHSSC/EASC and WG are detailed below.

4.14 All debtor/creditor balances over the specified total limits of,

- £1k for NHS Wales bodies and the Welsh Government

Should be agreed by email with the bodies concerned.

4.15 This requirement extends to all capital and revenue balances with the Welsh Government.

4.16 NHS Wales bodies must use the adapted HMT form Annex 2 (excludes macros) for the NHS Wales agreement process, this will be issued on request by H&SSG FD and will include the following information on any year-end correspondence:

- The full name of both NHS bodies.
- A contact name and email address for the person sending the invoice/statement.
- Separate statements for receivables/payables and income/expenditure (as these are often sent to different people).
• A description of what each individual figure on the form relates to.
• Whether the item is being treated as a recharge.
• Whether an item is a capital balance.
• All statements must be sent to the designated email address of the receiving body as notified in the WG.

4.17 Other UK NHS bodies with total Debtor/Creditor accounts balances >£50k must be recorded. Pharmacists, opticians, dentists and GPs are not NHS bodies.

Month 6 and 8

4.18 At the end of month 6 and 8, there was a requirement for reconciliation of all revenue debtor/creditor balances over £1,000 with the WG, WHSSC/EASC, NHS Wales Local Health Boards, NHS Wales Trusts and the Welsh Risk Pool.

4.19 **Intra NHS Wales revenue balances**, all balances including WG capital balances, must be agreed at month 6, 8 and at year-end.

Year-end

4.20 At year-end, the timetable at Annex 1 must be followed. Items should not be routinely agreed for accounting purposes. Disputed items must be referred to the arbitration process.

Timetable for all NHS Wales Organisations

4.21 The timetable and actions for all intra NHS Wales debtors/creditors and income/expenditure reconciliation is attached at Annex 1.

4.22 At year end all NHS Wales organisations must issue electronic debtor and income statements, supported by a list of outstanding invoices/estimated costs to the agreed timetables above. The WG statement should be supported by copies of all outstanding invoices for months 8 to 12 inclusive.

4.23 All year-end intra NHS Wales balances of £1,000 or more must be agreed electronically by the agreed sign off dates. If at that time any difference between LHBs/Trusts exists, the LHB/Trust must either settle or make a provision for the difference.

4.24 **Between the end of the agreement process and the unaudited accounts submission date** organisations should continue this process using the matrix supplied by the WG which highlights imbalances to resolve these imbalances.

4.25 **Between the unaudited and audited accounts submission of the final accounts**, organisations should ensure that all outstanding balances are agreed, that those changes are shown in the accounts and that in case of doubt, the debtor-led principle should be followed.
4.26 It is important that organisations examine the age of items on debtor/creditor ledgers, and where, for example, an item is over nine months old, organisations should seriously consider whether it is appropriate that it remains on the balance sheet, or whether it should be written out. Old debtor balances in particular inflate working capital and present a false picture. Re-lifting the debt by, for example, issuing a credit note and a new invoice at the same time, thus avoiding having old invoices on the system, must not take place.

Intra NHS Wales Debtor/Creditor Balances

4.27 Intra NHS Wales revenue balances must be agreed with the other Welsh NHS bodies (Local Health Boards, Trusts, WHSCC/EASC and the WRP) and Welsh Government.

4.28 Throughout this chapter references to creditor and debtor have the following meaning

- **Debtor** - this is the organisation sending the invoice i.e. the supplier or provider
- **Creditor** – this is the organisation receiving the invoice i.e. the purchaser or commissioner.

4.29 All statements for agreement should be in an electronic Excel format, Word and/or pdf versions will not be accepted.

4.30 Please ensure that all such WG statements either have a WG contact name or reference for each outstanding invoice as it will not be possible to deal with the statements without this information.

Purpose

4.31 Balances are agreed to allow the publication of summarised accounts and agreement for this purpose does not preclude subsequent negotiations as to the amounts payable, e.g. under a disputed contract.

Accruals and provisions

4.32 The WG is content that providers estimate the cost of March completed episodes provided the following conditions are met:

- no more than one calendar month's costs are accrued;
- statutory auditors have identified no material misstatements; and
- both purchasing and provider bodies agree and use the same accrued figure.

4.33 Provisions for losses are necessary as regards all contracts between NHS bodies of one year or less. Where exceptionally there is a long-term contract and there is a need to provide for a loss, this should be accounted for as
“provisions for liabilities and charges” and not under the NHS debtors and creditors procedure.

Guidelines for agreeing balances

4.34 Guidelines on agreeing NHS Wales balances are as follows:

- It is the responsibility of the debtor (i.e. the provider) of the NHS service to take the lead in dealing with any problems;
- Statements should give invoice numbers, amounts and dates of supply;
- Year-end statements and lists of accruals should not confuse invoices relating to the old financial year with invoices relating to the new financial year;
- Invoices, statements and lists of accruals should be addressed to the persons identified on the contacts list issued by WG, prior to each agreement exercise.
- Remittance advice notes should clearly state the identifying numbers of the invoices being paid;
- Remittance advice notes and agreements of balances should be addressed to "accounts receivable" at the creditor;
- Organisation/authority codes should be clearly stated on invoices, remittance advice notes, statements and lists of accruals;
- Once a balance has been agreed between two bodies it can only be amended with their joint agreement;
- Where differences in balances are small, provision by the debtor is usually preferable to the waste of administrative resources involved in disputing immaterial amounts; and
- Irresolvable disputes should be speedily brought to the attention of the Welsh Government.

MEMORANDUM STATEMENTS

Completion of Memoranda statements

4.35 The common rules relating to the completion of all schedules are as follows:

- All figures must be entered as pounds thousands;
- MSA - the “Total” column includes debtors and creditors over 12 months (i.e. the “Over 12 months” figures are inclusive);
- With one exception, on MSA, all figures must be positive; and
- The MS should record revenue balances for NHS organisations with any capital balances disclosed as a narrative note.
• TMS 1 income and expenditure must be given separately; amounts must not be netted off.

4.36 The debtor and creditor balances where the invoiced balance total, excluding accruals, is £1,000 or more must first be agreed in writing with the following NHS bodies
• Welsh LHBs,
• Welsh NHS Trusts
• Welsh Government
• Welsh Risk Pool
• Welsh Health Specialised Services Committee/Emergency Ambulance Services Committee

before the figures are recorded on the TMS. At the year-end this agreement includes accruals for invoices and credit notes issued between the year-end and the agreement date.

4.37 Balances over £500 and under £1,000 should be rounded up to £1,000 in an attempt to counter imbalances; balances under £500 should be rounded down and included in roundings.

4.38 Claim balances with the Welsh Risk Pool (WRP) must be recorded and agreed with the Welsh Risk Pool Finance Officer. These will be separate from balances with Velindre NHS Trust (contact finance department as usual). The balance to be agreed with the WRP will be as follows:

• claims submitted to WRP and accepted (approved) by WRP advisory board but not yet reimbursed (by WRP); and
• expenditure incurred (by the NHS Wales body) but not yet claimed (from the WRP).

Two lines on the TMS/LMS will deal with these separate elements for WRP.

NB. No ‘provisions’ should be included in the TMS/LMS for the WRP because such figures cannot be agreed by the WRP. The WRP Finance Officer can agree claims in the first instance above but not the second as NHS Wales body’s are ‘informing’ the WRP of such figures.

4.39 A third line, “Other”, has been added for balances with the WRP that do not relate to claims and should be used by the hosting body only for running costs.

4.40 TMS/LMS should be returned electronically no later than the date specified.

4.41 Welsh Local Authorities - balances and transactions >£1k should be reported at month 12, unaudited and audited stages (MSB and MSC). The notification and agreement levels as part of the Whole of Government Account process are detailed in Para 4.81.
MSA Summary All Debtors & Creditors and Income & Expenditure

Month 6 and 8

4.42 **Welsh Government:** This relates to revenue balances only. There should be a narrative disclosure for any capital balances.

4.43 **Welsh Local Health Boards:** the totals from schedules MSB and MSC.

4.44 **Welsh NHS Trusts:** the totals from schedules MSB and MSC.

4.45 **Welsh Health Specialised Services & Emergency Ambulance Services Committees:** balances with Welsh Health Specialised Services and Emergency Ambulance Services Committees totals from schedule MSB and MSC.

Month 12 only

4.46 **Welsh Local Authorities:** balances/transactions should be split to show business rates separate from other transactions totals from schedule MSB and MSC.

4.47 **All English health bodies:** balances with all English Health bodies.

4.48 **All N Ireland health bodies:** balances with all N Ireland Health bodies.

4.49 **All Scottish health bodies:** balances with all Scottish Health bodies.

4.50 **Miscellaneous:** This gives the total of balances with other NHS bodies not elsewhere listed.

4.51 **Credit note provision:** The procedure at year-end is as follows:

- credit notes issued prior to the final intra-NHS agreement of balances result in a reduction in balances of both the debtor and the creditor. The figures agreed through the reconciliation process are therefore net of any credit notes actually issued but before any provision for credit notes.
- after the final intra-NHS agreement of balances, a provision for credit notes is made where it is expected that credit notes will subsequently be issued in respect of year-end debtor balances.
- The provision is made by the NHS Wales body completing the schedule, and it is not agreed with the NHS bodies involved. It reduces debtor balances to the estimated net recoverable amount.
- The provision must be a debtor balance, a creditor balance is not permitted, and it is the only figure on the debtor/creditor reconciliation schedules, which is, and must be, a negative.

4.52 **Sub total:** the sum of the preceding figures to give the total of NHS debtors and creditors.

4.53 **Central government bodies:** balances with Central Government Bodies.

4.54 **Revenue & Customs:** balances with Revenue and Customs.

4.55 **Local authorities except Welsh Local Authorities:** balances with local authorities.
4.56 **Public corporations and trading funds:** balances with public corporations and trading funds.

4.57 **Bodies external to government:** balances with bodies external to Central and Local Government.

4.58 **Total:** This is the sum of the preceding figures.

4.59 The figures for “NHS creditors” and “NHS debtors” in the accounts are defined to include NHS accruals and provisions. See the debtors note for the reconciliation to the debtors note.

4.60 **TMS1 - All WGA counterparties should be detailed.**

4.61 **TMS 2 - A reconciliation detailing the individual balance and transaction totals that make up the overall totals for Central Government and Local Government bodies outside of Wales should be included on the reconciliation sheet provided.**

**MSB NHS Wales Debtor and Creditor**

4.62 A memorandum statement proforma (MSB) is provided by the Welsh Government for completion. No amendments must be made to the proforma without the agreement of the WG H&SSG FD.

4.63 Whilst NHS Wales bodies need not enter figures for those health bodies in the list where the debtor/creditor figures are less than £1,000, the net of all such debtor/creditor figures should be entered against the line "Adjustment for rounding" at the end of the list and suitably rounded to the nearest £1,000 if appropriate.

4.64 Within NHS Wales reconciliation of debtors and creditor is required with other Trusts, Local Health Boards, Welsh Government and WHSSC/EASC where the total amount of income or expenditure in the year to 31 March is greater than £1k.

4.65 Debtors and creditors with other WGA bodies should be agreed in writing with bodies concerned where either the debtor or total amount of income or expenditure in the year to 31 March is over the specified WGA limits.

**MSC NHS Wales Income and Expenditure**

4.66 A memorandum statement proforma (MSC) is provided by the Welsh Government for completion. No amendments must be made to the proforma format without the agreement of the WG H&SSG FD.

4.67 This information is required to eliminate “inter-group” income and expenditure and allow the production of consolidated Departmental Resource Accounts,
Central Government Accounts and schedules for Whole of Government Accounts.

4.68 Within NHS Wales reconciliation of income and expenditure is required with other Trusts, Local Health Boards, Welsh Government and WHSSC/EASC where the total amount of income or expenditure in the year to 31 March is greater than £1k.

4.69 Income and expenditure with other WGA bodies should be agreed in writing with bodies concerned where the total amount of income or expenditure in the year to 31 March is over the specified WGA limits.

4.70 The exercise is debtor led by issuing a debtor statement and income statement to the creditor. The statement of income should contain enough details for the creditor to be able to identify the amounts involved, including invoice or credit note numbers and dates where appropriate. All amounts should be shown gross. Netting off of income and expenditure is not allowed. **Whole numbers only should be used.**

4.71 Agreement with the Welsh Government should relate to all income and expenditure.

4.72 WG funding, should never be shown as miscellaneous income.

4.73 Where one NHS body acts as the lead in a consortium to purchase healthcare, the principle still applies that the values should be agreed above the limit, but the values of the income received and nature of the expenditure should then be disclosed where material.

4.74 The agreement is based on the date the income/expenditure is recognised and not on the date of payment i.e. not cash terms.

WGA AGREEMENT PROCESS - WG REQUIREMENTS

4.75 Detailed guidance will be made available on the HMT website. However, as Health Boards are consolidated into the WG accounts the agreement limits have been lowered to:

- **Welsh Local Authorities**
  - LHB notification > £0.2m
  - LHB Agreement > £0.5m
  - NHS Trust notification > £0.5m
  - NHS Trust Agreement >£1m

- **Other WGA bodies**
  - LHB Notification at £0.5m
  - LHB Agreement at £5m
  - NHS Trusts Notification at £1m
4.76 A complete list of WGA bodies is available on the HMT WGA website - “Counter Party Identifier Codes”.

4.77 Also whilst the agreements process is debtor led, all NHS Wales organisations are required to issue either notification statements or agreement statements where appropriate to organisations that have not issued debtor led statements by the HMT deadline. Health Boards must take into consideration the lower notification/agreement limits and inform the receiving body that all balances and transactions greater than the notification level will be reported in their WGA account.

4.78 A TMS 2 will be issued for Accounting entries and reconciliation of WGA bodies within the boundaries.

4.79 **HM Revenue and Customs** – income/expenditure balances are not required for PAYE. The entry will only be in respect of other income/expenditure such as transactions with the Valuation Office Agency.

4.80 **National Insurance Fund** – income/expenditure must only be recorded in respect of employers NI contributions, employee NI contributions should not be included.

4.81 **NHS or PCSPS Pensions Funds** – Note when completing the CPID form for interparty trading with NHS Pensions the amounts should include the employers' contributions only for any income/expenditure and debtor/creditor transactions.

4.82 Further information will be provided when available from HMT WGA team.
### Annex 1

#### Debtor/Creditor and Income/Expenditure Reconciliation Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Month 6</th>
<th>Month 8</th>
<th>Month 12</th>
</tr>
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<tr>
<td><strong>2016-17</strong></td>
<td>2016</td>
<td>2016</td>
<td>2017 dates</td>
</tr>
<tr>
<td>Issue - Debtor statements to other NHS Wales bodies</td>
<td>06-Oct</td>
<td>05-Dec</td>
<td>04-Apr</td>
</tr>
<tr>
<td>Sign-off date for agreement of NHS Wales debtors and creditors</td>
<td>11-Oct</td>
<td>12-Dec</td>
<td>11-Apr</td>
</tr>
<tr>
<td>Issue - Income transactions statement to WHSSC</td>
<td>11-Apr</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue - Income transactions statement to other NHS Wales bodies</td>
<td>14-Oct</td>
<td>13-Dec</td>
<td>12-Apr</td>
</tr>
<tr>
<td>Sign-off date for agreement of WHSSC income and expenditure</td>
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<td></td>
<td>18-Apr</td>
</tr>
<tr>
<td>Sign-off date for agreement of NHS Wales income and expenditure</td>
<td>19-Oct</td>
<td>19-Dec</td>
<td>19-Apr</td>
</tr>
<tr>
<td>Submit TMS to WG</td>
<td>21-Oct</td>
<td>20-Dec</td>
<td>20-Apr</td>
</tr>
<tr>
<td>WAG to issue Debtor and creditor matrix and Income and expenditure matrix</td>
<td>24-Oct</td>
<td>21-Dec</td>
<td>21-Apr</td>
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</table>

**Note:** Statements with WG should include all transactions at each stage (Month 1 to 6, Month 1 to 8, and Month 1 to 12.)
### Annex 2
#### Agreement template

**CONFIRMATION OF BALANCES AND TRANSACTION STREAMS**

2016-17 Month x

<table>
<thead>
<tr>
<th>Light green cells are where you can enter data.</th>
<th>Grey cells are protected and automatic.</th>
</tr>
</thead>
</table>

**Balances and Transactions Between**

Provider Name: [Name]

Purchaser Name: [Name]

Additional Information

Optional entry here if the above isn’t sufficient

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<th>Agreement level set at (in £000s):</th>
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<tbody>
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</tr>
</tbody>
</table>

I'm waiting for your SCOA…

Select the Match Relationship and then the SCOA, then add details (if necessary) and amounts.

<table>
<thead>
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<th>Match Relationship</th>
<th>SCOA Code</th>
<th>Description</th>
<th>Detail</th>
<th>Amount (£000s)</th>
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<tbody>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Optional text to help identify transactions and balances

<table>
<thead>
<tr>
<th>Match Relationship</th>
<th>SCOA Code</th>
<th>Description</th>
<th>Detail</th>
<th>Amount (£000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

No reconciliation required

- No material difference

Total:

**CONFIRMED by:**

Name:

Email:

Contact phone no:

Date:

A listing of invoices and accruals comprising these totals is attached.

SIGN-OFF: On completion send one signed copy to your Department and one signed copy to your auditor.

Confirmation:

Name:

Email:

Contact phone no:

Date: