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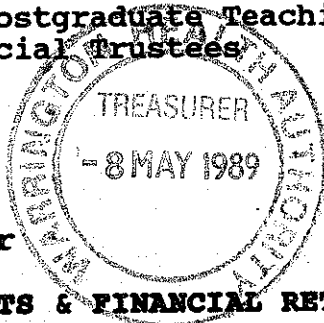
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To: Treasurers:
Regional Health Authorities
District Health Authorities
Special Health Authorities for the London
Postgraduate Teaching Hospitals
Special Trustees

28 April 1989



Dear Treasurer

ANNUAL ACCOUNTS & FINANCIAL RETURNS 1988-89

1. The arrangements for the completion and submission of health authorities annual accounts and financial returns and the annual accounts of special trustees for the year ended 31 March 1989 are set out in the NHS Manual for Accounts as amended.
2. It is essential that all authorities and special trustees make every effort to meet the required submission dates which are 31 May 1989 for the receipts and payments returns (RP1 to RP4) and 30 June 1989 for the annual accounts and all other costing and financial returns.
3. To assist health authorities and special trustees with the preparation and submission of their accounts and financial returns and to ensure standard presentation, two sets of proformas are enclosed for use as photographic masters. The sets exclude proformas for FR6 - FR10 which are not required for 1988-89 and proformas for memorandum management cost accounts.
4. Some notes for guidance covering recent necessary changes to the format of certificates and various points of detail are also enclosed.

Yours sincerely,

Richard Jefferies

RICHARD JEFFERIES
Deputy Director of
Financial Management (Accounts and Audit)

Encs.

2 copies
Please

NOTES FOR GUIDANCE
ANNUAL ACCOUNTS & FINANCIAL RETURNS 1988-89

FORMAT OF CERTIFICATES

1. Following recent discussions between the Department and the National Audit Office it has become necessary to revise the format of the certificates to the annual accounts for 1988-89 to include specific reference to the receipts and payments returns (RP1-RP4). Page 2 (of 40) in the enclosed sets of account proformas reflects those revisions and authorities should ensure that they are employed for 1988-89.
2. The changes were discussed informally with Treasurers' representatives and are essential to meet the requirements of the National Audit Office. Whilst the scope of the new certificates in effect reverts to those in use prior to 1987-88, no change in the timetable for the certification or adoption of accounts, etc by authorities is intended and the general arrangements set out in Chapter 2 of the NHS Manual for Accounts (as revised by Amendment 3) remain applicable. (Paragraph 5 of these Notes also refers.)

PREPARATION AND PRESENTATION OF ANNUAL ACCOUNTS AND FINANCIAL RETURNS

3. To assist the Department's computer processing and summarisation procedures health authorities and special trustees are particularly requested to ensure that:-
 - a. the accounts, etc are produced on one side of the paper only and are clearly printed or typed;
 - b. figures on accounts, etc add correctly to the required subtotals and totals;
 - c. any necessary "NIL" entries at subcodes within all the columns of the account forms (AAs) and returns (RPs and FRs) containing some figures are clearly indicated by the use of a dash (-);
 - d. the account forms as such (with the exception of AA19A and AA19B - Losses and Special Payments) are completed in rounded pounds only (ie no pence are recorded and one hundred pounds is shown simply as 100 and not as 100-00). Figures should not be prefixed with a pound sign (£);
 - e. entries including pence or two digits to indicate pence (eg 35-21 or 97-00) are, however, made in the limited number of designated forms (RP1 to RP4, in the amount columns of AA19A and AA19B, in FR1 to FR3) and are also employed for all unit costs only in FR4 to FR20.
 - f. all negative figures are prefixed by a minus sign rather than being shown in brackets;
 - g. NIL returns are submitted as appropriate;
 - h. where authorities produce their own version of the accounts and financial returns from computer software, etc these reflect exactly the content of each proforma on one document and include the series of RP, AA and FR references which appear at the bottom right of each proforma;

4. Prior year figures should be shown in full in the designated columns of the account forms (AAs). However, where the analysis of expenditure, etc changed significantly between 1987-88 and 1988-89 prior year entries should be limited to subtotals or totals only (eg following the changes to the nurses and midwives grading structure one figure equivalent to subcode 060 will suffice for the prior year entries intended to correspond with subcodes 041 to 060 on form AA13B)

RECEIPTS AND PAYMENTS RETURNS (RP1 - RP4)

5. Health authorities are reminded that their receipts and payments returns (RP1 to RP4 with any necessary supporting schedules) are due for submission to the Department by 31 May 1989. One original set and five copies are required: however, submissions of these returns should not be accompanied by a certificate from the responsible Treasurer. A brief covering letter, including the names and telephone numbers of officers who may be contacted in case of queries, will suffice. A footnote on all RP4s giving the name and telephone number of an officer able to deal with queries specific to that form would also be helpful.

6. The information in RP1-RP4 is important for the Department's Appropriation Accounts and Parliamentary Vote control arrangements. Consequently, health authorities are particularly requested to ensure that the information in those returns is fully reconcilable with that in their annual accounts. Where exceptionally completion of annual accounts does give rise to the need to amend receipts and payments returns, revised returns should be sent direct to the Department as soon as possible but not later than when the authority submits its annual accounts (ie strictly by 30 June 1989).

7. On RP4, Chapter 9 paragraph 4.7.1. of the NHS manual for Accounts should read "adjustments to income tax and national insurance contributions". Superannuation adjustments should, of course, be shown at subcode 160 of RP4.

ANNUAL ACCOUNTS (AA1 - AA24 and incorporating FR1 - FR3)

8. Health authorities and special trustees are reminded that their annual accounts are due for submission to the Department by 30 June 1989 and are requested to associate FR1-FR3 with the AA returns. One original set and five copies are required and submissions must not be delayed pending audit.

9. After submission of the annual accounts any proposed amendment to those annual accounts (or to RP1-RP4 or FR1-FR3), should be a matter for discussion between the health authorities or special trustees and their auditors. Authorities and special trustees must not send amendments to their annual accounts as such, direct to the Department. (However, for the RP returns see paragraph 6 above and for FR returns paragraph 15 below.)

10. Health authorities are asked to note the following points:-

- a. Expenditure recorded at AA9, maincode 16 subcode 002 (Contractual Hospitals and Homes) should cover that described in Chapter 21, paragraph 4.2. of the NHS Manual for Accounts but apart from expenditure incurred in support of the contracted service the total should not be significantly in excess of the figure shown at subcode 383 of form AA13F (Contractual arrangements for patient care).

- b. Expenditure on non-NHS staff (agency, etc) recorded at subcodes 151 — 170 of form AA13D or at subcodes 016 — 020 of form AA16A should be as out-lined in Chapter 26, paragraph 3.2.f. of the NHS Manual for Accounts. However, the subcodes should be used essentially to record the costs of staff employed through (and usually paid by) employment agencies and should not include the costs of contracts with for example outside computer bureaux, financial consultants or accounting firms (perhaps engaged to provide an internal audit service). The latter and similar costs should be regarded as "non-pay" expenditure and charged to subcodes 363 or 397 of form AA13F, as appropriate.
- c. Expenditure recorded at subcode 123 of form AA13D (Maintenance Craftsmen) should include apprentices, supervisors and chargehands.
- d. Notes to the Accounts 7 (ie form AA9) subcode 024 (Other Services — Revenue — other services): specific written approval need not be obtained from the Department (Financial Management Directorate 1A - formerly Finance Branch FA3A) for the inclusion at this subcode of relatively minor debit or credit items which on Departmental advice or approval have customarily been charged to "other services". Such items may include:-
- i. fees to medical staff under "collaborative arrangements";
 - ii. over/under payments of VAT in the current and prior years or routine small percentage pay related adjustments (not fully accommodated in payroll systems) where minor revision of many departmental expenditure heads and expenditure by type subcodes would require disproportionate effort;
 - iii particular regional or district services which cannot sensibly be included in any Note to the Accounts other than Note 7 and which are not otherwise provided for in that Note.

Where other categories of expenditure are considered for inclusion at subcode 024 the Department should be contacted (see paragraph 25 below) particularly if significant sums are involved.

- e. Income Generation Initiative. For 1988-89 authorities should not attempt to identify separately income generated under this initiative in their annual accounts but should include any additional sums in the totals for the most appropriate existing income/direct credit categories in accordance with the guidance at Appendix 1 of the Manual for Accounts. (Currently, separate information on income generation is being collected under the Short Term Programme arrangements — EL(88)MB/145 of October 1988 refers).

11. Authorities are reminded that in recording details of average Exchequer balances in the footnote to AA2 of the Annual Accounts, only Exchequer balances should be recorded - (ie all trust fund, patients' monies and PGO balances should be excluded). Also that when completing AA13F subcode 395, the net bank charges should be the actual charges

paid by the authority in respect of all aspects of its banking business. It is accepted that when the notional interest allowed by the commercial banks exceeds the gross tariff charge, this entry can be "nil". In completing the footnote to AA13F authorities should ensure that the build up to the net charge recorded at subcode 395 is fully completed - ie that both gross bank charges and notional interest allowed by the banks (calculated if necessary) are included.

12. To assist the uniformity of presentation authorities are especially asked to show movements in working balances, excesses of income over expenditure/expenditure over income, etc in accordance with the additional guidance contained in Amendment 3 to the NHS Manual for Accounts. Again to the above end, a few additional pre-printed minus signs (-) have been added to the account proformas (eg at AA5 subcode 167) and authorities are asked to prefix their entries at subcodes 050 and 060 of form AA15 similarly. Where exceptionally an entry at a subcode containing a pre-printed minus sign (-) needs to be shown as a positive figure it is, of course, sufficient for authorities to delete the minus sign.

13. Authorities should note that normally their entries at subcodes 023 and entries for a net income position at subcode 017 of form AA9 will need to be minus (-) but are requested to avoid showing all figures in forms AA12A, AA12B and AA14 as minus values (which has been the practice of a few authorities).

FINANCIAL RETURNS FR4 - FR20

14. Financial returns are due for submission to the Department by 30 June 1989 and should be packed separately but ideally accompany the submission of annual accounts. The number of sets required are:-

- a. one original and four copies of FR4 and FR 5;
- b. one original and two copies of FR11-FR20.

15. The financial returns are of obvious interest to auditors but are strictly outside the scope of their certificates to the annual accounts. Should the occasion arise, the Department has no fundamental objection to the authorities promptly submitting revised financial returns direct to FMD1A especially if there are no implications for the annual accounts statements and Notes to the Accounts. However, because of the close links between certain returns and the statutory annual accounts authorities may on occasions find it advisable to consult with their auditors before taking such action. (NB paragraph 9 above)

16. A number of the financial returns (eg FR11) are required to be submitted on A3 size paper. Proformas have been supplied accordingly and authorities are particularly asked not to submit those returns in reduced size. It would greatly assist the Department if health authorities would make their own local arrangements for A3 size forms from the proformas supplied but should any authority experience any real difficulty they should contact the Department by telephone (01-703-6380 Ext 4469). However, such financial returns produced on computer stationery (almost equivalent to A3 size) and directly from software such as the Bradford/Calderdale system are, of course, acceptable for submission.

17. Health authorities are asked to note the following points:-
- a. Financial returns FR6 to 10 are not included in the proformas and it is confirmed that authorities are no longer required to complete them. (The Department's technical branches intend to collect information directly from authorities works departments through forms in a "KE" series).
 - b. All site returns (eg FR4) should show the name of the unit.
 - c. FRs 4 and 11 should show only hospital site serial codes agreed with the Department through the RHA/Regional Statistician.
 - d. Pending the agreement of definitions for the Korner "site classification codes" authorities are asked to use their own judgement in entering a figure in the range 01— 05 only in those code boxes (shown immediately below "site serial code") on forms FR4 and FR11. The pre- Korner "site classification" numbers (01 - 30) should continue to be employed in those designated supplementary code boxes. (Appendix 2 to the NHS Manual for Accounts refers).

18. To assist central processing the proformas for FR11 include a number of presentational changes including the insertion of some horizontal guidelines, the repetition of authority/site codes, etc on page 2 and the provision of a maincode and subcode structure to accommodate the additional information required on medical physics expenditure. The Department acknowledges that these changes and similar more minor changes to other FR returns were made at a late stage and were not previously notified to authorities or to the Bradford/Calderdale system development team. Any such changes which authorities (ie those not normally employing the Department's FR proformas) are readily able to make in their submitted returns would be welcomed otherwise the implementation of the presentational changes should be postponed until 1989-90.

19. Output reports from Bradford/Calderdale K6 software may be produced on more than one occasion as data is refined and revised. To meet the needs of local management and subsequently auditors a trail has now been incorporated as a header on reports to identify date and time the reports were produced, report number, etc. Users of the software are asked not to delete such headers from their reports/returns and non-users are asked to incorporate similar identifiers in due course (not necessarily for 1988-89).

20. For clarification and following variations in treatment in 1987-88, authorities are asked to ensure that:-

- a. the entries at maincode 01 subcodes 141 and 142 under "Management Information" (FR4B) on form FR4 are unit costs and not expenditure totals. (The required unit costs should be determined by dividing each of the appropriate expenditure figures [FR4A maincode 01 subcodes 130 and 112, respectively] by the number of patient days).
- b. a minimum figure of one unit should be used in determining any relevant numbers of work units for form FR11 (eg at maincode 48 subcode 164) otherwise misleading unit costs exceeding the total relevant site expenditure will inevitably result.

- c. subtotals on form FR12 are fully completed (ie when any entries appear at intervening subcodes) and that the supplementary analysis of "Supra district/regional services expenditure indentified by specialty" (ie at bottom right of page 2) is completed as far as is practicable.
- d. on form FR18 the entries at subcode 250 under each maincode 76, 77 and 78 represent the result of the relevant subcodes 100 — 130 less subcodes 140 — 240. A resultant loss should be prefixed minus (-) at subcode 250 only.

MEMORANDUM MANAGEMENT COST ACCOUNTS 1988-89

21. Proformas for memorandum management cost accounts have been deliberately omitted from the sets of account forms. The Department's Regional Liaison Divisions have advised that any requirement for this account for 1988-89 is most unlikely. Health authorities should not therefore undertake any preparatory work.

ANALYSIS OF EXPENDITURE BY TYPE — REVENUE: NOTIFICATION OF AMENDMENTS FOR 1989-90

22. Although there is no effect on 1989-90 accounts Treasurers will wish to note that provision for the identification of two additional medical and dental grades — "Associate Specialists" and "Staff Grade Practitioners" — will be included at subcodes 008/009 and 028/029 respectively on form AA13A from 1989-90. The existing subcodes 008 — 020 and 028 — 035 will be renumbered 010 — 022 and 030 — 037.

NHS MANUAL FOR ACCOUNTS

23. The revised format of certificates and other salient points in these Notes will in due course be incorporated in formal amendments to the NHS Manual for Accounts.

SUBMISSION OF ACCOUNTS AND FINANCIAL RETURNS

24. Accounts, etc should be securely packed and despatched by post to Department of Health, FMD1A, Room 513, Friars House, 157-168 Blackfriars Road, LONDON, SE1 8EU.

ENQUIRIES

25. All general enquiries on the compilation and submission of the accounts and financial returns should be directed to Department of Health, FMD1A, Room 520, Friars House, (Tel 01-703-6380 Ext 4468 or 4479).

26. Any enquiries concerned specifically and only with cash advances by the Department; the central settlement of income tax, national insurance and superannuation or the banking details included in the footnotes to AA2 and AA13F should be directed to Mr Hayward, Finance Branch FA2A, Room 529, Friars House (Tel 01-703-6380 Ext 4521)