



Department
of Health &
Social Care

Department of Health and Social Care

Group Accounting Manual 2019-20: Consultation Exercise

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1. Overview

- 1.1 All bodies within the Department of Health and Social Care accounting boundary (DHSC group bodies) must publish annual reports and accounts. Clear and transparent reporting helps the entity, as well as the users of the entity's annual report and accounts, understand and scrutinise the year's operations and outcomes.
- 1.2 DHSC (and Monitor as the regulator for NHS foundation trusts, operating as NHS Improvement (NHSI)) has powers to direct the form in which the annual report and accounts should be prepared, the information that should be included, and the methods and principles that should be followed in their preparation. In determining the form and content of the accounts we must, by statute, aim to ensure the accounts present a true and fair view.
- 1.3 In order to achieve this, the department issues a group wide annual report and accounting manual every year, the Group Accounting Manual (GAM), containing the requirements DHSC group bodies need to follow when preparing their annual reports and accounts. Additionally, NHSI separately publishes the annual reporting requirements for NHS foundation trusts via the NHS foundation trust annual reporting manual (FT ARM). The FT ARM contains the formal accounts direction but foundation trusts will follow the GAM for accounts requirements.
- 1.4 The GAM requires DHSC group bodies to follow the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, interpreted and adapted by the HM Treasury 'Financial Reporting Manual' (FReM). Therefore, the GAM only includes detailed accounting guidance where DHSC group bodies are:
- required to depart from IFRS or the FReM
 - required to make specific disclosures in addition to IFRS and the FReM, or
 - faced with particular circumstances that IFRS or the FReM do not address.
- 1.5 Updates to the GAM follow the same principle and, on that basis, are required where IFRS or the FReM have changed, or when DHSC group bodies are required to make specific extra disclosures.
- 1.6 Some content for 2019-20 is not yet available, such as HM Treasury discount rates. The draft GAM indicates where this is the case, and the manual will be revised later in the year once this content is known. The additional guidance

document published alongside the December 2019 revision of the 2019-20 GAM will signpost the changes made within the manual.

2019-20 consultation

- 1.7 This consultation relates to the draft GAM for 2019-20. The documents being consulted upon can be found on at the [DHSC Group Accounting Manual collection](#) on gov.uk
- 1.8 The consultation period will run from 22 January 2019 until 22 February 2019.
- 1.9 The 2019-20 GAM will be published in April 2019, once we have considered consultation responses and further improved the guidance offered in the GAM.
- 1.10 Post consultation changes will be made in collaboration with the relevant sector finance leads. The publication of the GAM is subject to approval by the Financial Reporting Advisory Board (FRAB).

Principle changes proposed in the draft GAM

- 1.11 There are no significant changes to accounting requirements as detailed by the 2019-20 GAM.
- 1.12 Where there have been amendments made to IFRS effective for the 2019-20 financial year, these have been assessed as having little or no specific impact on the health sector and likewise on the text included in the GAM.
- 1.13 Changes to the GAM are therefore focussed on refining the guidance offered and on improving the accessibility of the Manual published.
- 1.14 This document summarises the principal changes introduced in and alongside the draft GAM.

How to respond

- 1.15 Please submit your responses by 22 February 2019 at the link to the online portal, citizen space, provided below:

<https://consultations.dh.gov.uk/accounting-policy/fddb2453>

2. IFRS 16 GAM supplement

- 2.1 IFRS 16, Leases, is set to supersede IAS 17, Leases, SIC 15, Operating Leases – Incentives, SIC 27, Evaluation the Substance of Transactions Involving the Legal Form of a Lease, and IFRIC 4, Determining whether an Arrangement contains a Lease.
- 2.2 The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.
- 2.3 Specific consultation regarding the adoption of the standard by HM Treasury took place in previous financial years. DHSC group wide consultations coincided with the IFRS 16 Exposure Drafts published by HM Treasury.
- 2.4 IFRS 16 as adapted and interpreted by the FReM, will be effective from 1 April 2020. This represents a one-year deferral in the adoption of and transition to IFRS 16. The deferral was confirmed in the [2019-20 FReM](#) published on the 19 December 2018.
- 2.5 The scope of this deferral does not extend to a limited number of entities across government who report following EU adopted IFRS in accordance with the Companies Act 2006 (CA 2006), for their individual statutory accounts.
- 2.6 This includes arm's length bodies (ALBs) of DHSC that are companies. Whilst required to follow the principles of the FReM, there is a need for such entities to comply with CA 2006 which takes precedent.
- 2.7 As the GAM forms part of the accounts direction that is issued to reporting entities within the DHSC accounting boundary, the accounting requirements detailed within the GAM reflect the appropriate requirements for that financial year.
- 2.8 Therefore, guidance around lease accounting in the draft 2019-20 GAM reflects the appropriate treatments and reporting requirements per IAS 17, rather than the revised requirements under IFRS 16.
- 2.9 Appreciating the need to provide timely detailed guidance for entities required to adopt IFRS 16 in 2019-20 and for those to appropriately prepare for the transition to IFRS 16 in 2020-21, HM Treasury has published the latest version of the [IFRS 16 public sector application guidance](#). This remains a work in progress. For example, a recommended approach to the subsequent measurement of right of use assets is yet to be ratified by FRAB.

- 2.10 HM Treasury is aiming to finalise the adaptations and interpretations that are detailed in the application guidance in April 2019 to assist in delivering consistency in approach for those adopting IFRS 16 in either 2019-20 or 2020-21.
- 2.11 DHSC is similarly keen to offer IFRS 16 guidance initially prepared for the 2019-20 GAM, to assist group bodies. FRAB has similarly considered DHSC's draft IFRS 16 guidance.
- 2.12 The two GAM consultation processes to take place before IFRS 16 reporting requirements are detailed within the published 2020-21 GAM, also represent significant opportunities for the user community to comment on and shape the IFRS 16 guidance that will enter the 2020-21 GAM.
- 2.13 As such DHSC is consulting on an IFRS 16 supplement alongside the draft 2019-20 GAM, to inform group bodies as to the expected approach for transition to and adoption of IFRS 16. This supplement will be absorbed into the appropriate areas of the GAM as the Standard becomes effective in the FReM.
- 2.14 Entities are encouraged to utilise this supplement and the HM Treasury IFRS 16 application guidance to develop preparedness for IFRS 16 adoption and to provide comments as to how the guidance on IFRS 16 can be further enhanced.
- 2.15 In addition to the development of this supplement, minor changes have been made in the GAM in paragraphs 2.5, 4.154 to 4.155 and Chapter 4 Annexes 1 and 2 to reflect the deferral of IFRS 16.

Consultation questions on the IFRS 16 GAM supplement

Do you have any comments regarding the current set of HM Treasury interpretations and adaptations in the IFRS 16 supplement?

Do you have any comments regarding issues that exist in employing a revaluation approach to subsequent measurement of a right of use asset?

Do you have any comments regarding what additional detail could enhance the guidance offered in respect of IFRS 16 application?

3. Remuneration reporting

- 3.1 Remuneration reporting requirements detailed in the GAM remain a high-profile subject in the user and audit communities.
- 3.2 After making improvements to the guidance offered in the 2017-18 GAM, DHSC has been working with colleagues across and external to the DHSC group, to consider how remuneration guidance can be further strengthened.
- 3.3 This process has led to some changes in both the presentation and substance of guidance being offered in Chapter 3 and its associated annexes. Of note is the recommended narrative provided to assist user's understandability of column e in the single figure total table, as well as positive revisions to the [NHS Business Services Authority Senior Manager Remuneration guidance](#).
- 3.4 Whilst these changes represent the initial output from various sessions held to discuss the existing guidance, there remains an awareness of the significant scope for further improvements and additions to the suite of guidance that is available across the DHSC group.
- 3.5 A number of further developments are being considered and whilst all may not be suitably housed in the GAM, the GAM will signpost the location of these additional pieces of guidance to assist preparers across the group.
- 3.6 On consideration of the responses to the proposed revisions in the draft GAM, the revised 2019-20 remuneration reporting guidance will be built in the 2018-19 GAM via a Q4 FAQ.
- 3.7 Users should note revisions made in paragraphs; 3.34, 3.36, 3.41, 3.52, 3.74, 3.75, 3.83, 3.84 and 3.90 to 3.92 in the GAM.

Consultation question on remuneration reporting guidance

Do you have any comments on the changes made to the remuneration reporting guidance?

What other areas of remuneration reporting do you feel requires additional guidance?

4. Other changes to the 2019-20 GAM

4.1 A number of minor changes have been made to the draft GAM that users should note:

- The GAM has been reformatted into an updated template that reflects digital best practice for accessibility. This has resulted in a number of stylistic changes from the 2018-19 GAM. Changes include; text not being emphasised in either bold or italics, footnotes being used sparingly and paragraph numbers following a numerical format in throughout the document. Whilst there are limitations as to the revisions that can be made from the format in which the GAM is now presented, we will consider any feedback offered.
- The addition of summary detail for IFRIC 23, Uncertainty over Income Tax Treatments, effective for reporting dates on or after 1 January 2019, in Chapter 4 Annex 1. It is not anticipated that the introduction of IFRIC 23 will require additional specific interpretation for the DHSC group.
- Removal of detailed transition guidance for IFRS 9 Financial Instruments and IFRS 15, Revenue from Contracts with Customers, from the GAM. Adaptations and interpretations relating to transition for both standards effective 1 April 2018, remain in the GAM to maintain consistency with the FReM. As such minor changes have been made to Chapter 4 Annex 6 and Chapter 5 Annex 1.

Consultation questions on other changes made to the GAM

Do you have any comments on other changes made to the GAM?

Do you have any other general comments on the draft GAM?

5. Amendments to IFRS effective for 2019-20

- 5.1 There are various minor amendments to IFRS, effective from 1 January 2019, for which it has been assessed no specific interpretation is required for the DHSC group.
- 5.2 Detail regarding these amendments will not supplement current guidance offered on the impacted standards detailed in the draft 2019-20 GAM, even when EU adoption is confirmed.
- 5.3 The amendments effective for the 2019-20 financial year, are summarised in the table below:

Amendments to IFRS standards effective 1 January 2019

Amendment to Standard	Summary of Changes
<p>IFRS 9, Financial Instruments</p> <p>EU adopted March 2018</p> <p>(As at 12 December 2018 all other amendments are awaiting EU adoption)</p>	<p>Amendment is made to the existing classification requirements in IFRS 9 regarding termination rights, in order to allow the recognition of financial assets measured at amortised cost or at fair value through other comprehensive income, where negative compensation payments exist.</p>
<p>IFRS 3, Business Combinations and IFRS 11, Joint Arrangements - as part of 2015-17 Annual improvement Cycle</p>	<p>Amendment is made to clarify that when an entity obtains joint control of a joint operation, the entity doesn't remeasure previously held interests in that business.</p>
<p>IAS 12, Income Taxes - as part of 2015-17 Annual improvement Cycle</p>	<p>Amendments clarify requirements regarding the income tax consequences of dividends.</p>
<p>IAS 23, Borrowing Costs - as part of 2015-17 Annual improvement Cycle</p>	<p>Amendment is made to clarify the calculation of borrowing costs on a qualifying and substantially completed asset.</p>

IAS 19, Employee Benefits	Amendment is made to the calculation of past and current service costs on the basis of a defined benefit plan amendment, curtailment or settlement. Clarity has also been provided on the treatment of the asset ceiling in such scenarios.
IAS 28, Investment in Associates and Joint Ventures	The application of IFRS 9 to other financial instruments in an associate or joint venture, to which the equity method is not applied, has been clarified to include an entity's long term interest that are in substance part of the net investment in the associate or joint venture.

Consultation question on amendments effective for 2019-20

When EU adopted, do you consider any of the IFRS amendments effective for 2019-20 as requiring additional explanation in the GAM?

6. Summary of consultation questions

Do you have any comments regarding the current set of HM Treasury interpretations and adaptations in the IFRS 16 supplement?

Do you have any comments regarding issues that exist in employing a revaluation approach to subsequent measurement of a right of use asset?

Do you have any comments regarding what additional detail could enhance the guidance offered in respect of IFRS 16 application?

Do you have any comments on the changes made to the remuneration reporting guidance?

What other areas of remuneration reporting do you feel requires additional guidance?

Do you have any comments on other changes made to the GAM?

Do you have any other general comments on the draft GAM?

When EU adopted, do you consider any of the IFRS amendments effective for 2019-20 as requiring additional explanation in the GAM?

7. Responding to the consultation

7.1 We are keen to receive your views. The draft GAM and consultation document is published on the [Department of Health and Social Care group accounting manuals collection on GOV.UK](#).

7.2 In line with digital best practice the consultation has been launched on the online portal citizen space. A link to the consultation is provided along with the draft documents on gov.uk and for convenience a link is also provided below:

<https://consultations.dh.gov.uk/accounting-policy/fddb2453>

7.3 If you have any questions regarding the consultation or its contents, please liaise with your sector leads in the first instance. The sector lead can be contacted via the appropriate link below:

[NHS Providers](#)

[NHS Commissioners](#)

[Other ALBs](#)

[Audit Firms](#)

7.4 Consultation responses must be submitted on citizen space by the closing date of 22 February 2019.

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