



Department
of Health &
Social Care

Department of Health and Social Care

Group Accounting Manual 2019-20: Consultation Response

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1. Executive Summary

- 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, and 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 Treasury Discount Rates. The 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 updated 2019-20 GAM and will signpost the changes made within the manual.

2. Background to this consultation

- 2.1 This consultation related to the draft GAM for 2019-20. The consultation period ran from 22 January 2019 until 22 February 2019. Proceeding the consultation period, the revised GAM has been subject to further assessment by HM Treasury's Financial Reporting Advisory Board (FRAB) to clear the final draft.
- 2.2 The consultation took place at the same time as the 2018-19 exercise, contributing to the restricted level of response. Moreover, a number of fora through which the user community could express their opinion on the GAM were held within close proximity to the formal consultation period, which may further explain the limited number of responses.
- 2.3 Nevertheless, detailed feedback has been received from the user community and technical experts, which has helped inform and enhance the 2019-20 GAM. The proceeding sections of this document summarise the technical question posed, responses received and the Department's action.
- 2.4 Following this consultation and after obtaining approval by FRAB, the [2019-20 Group Accounting Manual](#) was published on 1st May 2019.

3. Details of consultation questions and responses

IFRS 16 GAM Supplement

- 3.1 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.
- 3.2 Guidance regarding lease accounting in the 2019-20 GAM reflects the appropriate accounting treatments and reporting requirements per IAS 17, due to the one-year deferral of IFRS 16 implementation, communicated by HM Treasury via the 2019-20 FReM.
- 3.3 DHSC consulted 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. The supplement signposted the expected changes to be made to various sections of the GAM on the basis of IFRS 16 implementation
- 3.4 The public sector approach to IFRS 16 remains a work in progress, with a comprehensive approach to accounting and budgeting for IFRS 16 expected to be finalised in the Summer by HM Treasury. This will enable further updates to the DHSC IFRS 16 supplement to be published during Autumn 2019, prior to the 2020-21 GAM consultation.

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?

Summary of Responses

- 3.5 Extensive comments were provided by respondents on this question which ranged from queries on the specific HM Treasury interpretations and adaptations of IFRS 16 to wider comments regarding the guidance contained in the wider supplement.
- 3.6 In regards to specific comments concerning the HM Treasury public sector interpretations and adaptations of IFRS 16 respondents queried; the communication and timing in receiving HM Treasury incremental borrowing rates, treatment of revaluation reserves on transition, IAS 8 interactions with the use of the practical expedient on transition per paragraph C3, the application of current

value in use for peppercorn leases that have a short useful life as well as a request for further contextualised guidance around the treatment of peppercorn leases.

- 3.7 Regarding the wider comments posed in reply to this question, respondents; requested additional guidance regarding the use of IFRS 16 to measure liabilities arising from service concession arrangements per IFRIC 12, invited a commitment to a low value asset threshold, provided suggested refinements to enhance the clarity of the guidance offered, requested additional guidance as to how recognition and derecognition will work in accounting for subleases, requested consistent application of IFRS 15 terminology and considerations to guidance regarding sale and leaseback transactions and worked examples to help illustrate the application of IFRS 16.

DHSC's Decisions

- 3.8 The Department will provide additional guidance in the areas requested as part of its finalisation of the IFRS 16 guidance that will flow into the 2020-21 GAM. With HM Treasury finalising the accounting and budgeting approach to IFRS 16, this will enable robust guidance to be developed in the GAM around all of the proposed public sector interpretations and adaptations of IFRS 16, to assist DHSC group bodies applying IFRS 16.
- 3.9 The Department is grateful for respondents identifying where the guidance offered can be refined to enhance its clarity and will adopt the various suggestions made in the subsequent publications of the IFRS 16 guidance accordingly.
- 3.10 The Department will strongly consider where worked examples can be used to enhance the content of the guidance being developed for IFRS 16 application.

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

Summary of Responses

- 3.11 There was broad support for the adoption of a subsequent measurement model aligned to that used for owned assets, in respect of right of use assets. Concerns were expressed around the cost benefit of applying such an approach, particularly for assets not previously revalued, as well as additional queries as to how such an approach would be operationalised on transition to IFRS 16.

DHSC's Decisions

- 3.12 DHSC agrees that employing a revaluation model to the subsequent measurement of leased assets, in a limited context, will deliver a materially consistent approach between leased and owned assets.
- 3.13 DHSC has been working closely with HM Treasury to ensure that the right balance between cost and benefit is struck in applying a revaluation model to right of use assets. Significant work has been undertaken to identify a limited number of scenarios in which it is appropriate to revalue leased assets, to ensure consistency of treatment with owned assets. This has included ensuring that the specific expedients within IFRS 16 and standing expedients for owned assets per Chapter 7 of the FReM, can be employed in the public sector adoption of IFRS 16, to help clearly determine where revaluation is required. HM Treasury has also been in discussion with the Valuation Office to consider any necessary guidance to assist professional valuers where revaluation is required.
- 3.14 Further updates of the IFRS 16 supplement and consultation on the 2020-21 GAM will provide for additional public sector adaptations and interpretations in relation to subsequent measurement of right of use assets. In addition, the updates will contain further contextualised application guidance to assist entities in making the appropriate judgements, to identify where it is necessary for a revaluation approach to be applied as opposed to when specific expedients for leased assets per IFRS 16, or those offered for owned assets per the FReM, can be employed as an appropriate proxy.

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

Summary of Responses

- 3.15 Comments from respondents in relation to this question covered requests for; further guidance around the application of incremental borrowing rates, further detail regarding how intra group arrangements will be eliminated, a stated de-minimis for low valued assets and additional contextualised guidance in applying; the grandfathering approach on transition, IFRS 16 accounting treatments to void spaces, managed service contracts and regular renewal of leases in the NHS.
- 3.16 The Department will provide additional guidance in the areas identified by all three questions posed on IFRS 16 and will seek to obtain further feedback and support for the refined and enhanced IFRS 16 application guidance, to accompany HM Treasury's application guidance as part of the 2020-21 GAM consultation process.

Remuneration Reporting

- 3.17 After making improvements to the guidance offered regarding remuneration reporting in the 2017-18 GAM, DHSC has been working with colleagues across and external to the DHSC group, to consider how the guidance can be further strengthened.
- 3.18 The consultation noted that this work to date has generated positive revisions to be made in the Greenbury guidance offered by the NHS Business Services Authority, as well as further refinement of the guidance offered in the 2019-20 GAM consultation.
- 3.19 Whilst the remuneration working group has further aspirations in advancing the suite of guidance available to DHSC Group bodies, the consultation requested feedback on the latest revisions built into the GAM, which if positive, would result in identical guidance being inserted into the 2018-19 GAM through the regular year end update.

Consultation questions on the remuneration reporting revisions

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

Summary of Responses

- 3.20 The responses were supportive of the further work undertaken to refine the guidance around remuneration reporting built into the GAM. Comments made by respondents focused on providing additional clarity around; considered changes and additions to disclosures being discussed with auditors where these disclosures are subject to audit, staff sharing arrangements and disclosure expectations within remuneration reporting more broadly referenced in the additional closing paragraphs of Chapter 3 Annex 2.

DHSC's Decisions

- 3.21 Given the broad support noted by the respondents, DHSC incorporated refined remuneration reporting guidance into the 2018-19 GAM published on 1 April 2019 as well as the 2019-20 GAM, once additional clarity on the points raised by respondents had been addressed.
- 3.22 Users should note this has led to further headings being built into the remuneration reporting guidance provided to add further clarity regarding the scope of additional guidance provided as well as minor adjustments to the detail as it was proposed in the consultation draft of the 2019-20 GAM.

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

Summary of Responses

3.23 Respondents provided comments on a number of areas for which additional guidance would be welcomed going forwards. This included; staff sharing arrangements in relation to pension disclosures and CETV calculations, that cross referencing other entities remuneration disclosures is inappropriate, context of the disclosure in comparison to the FReM requirements, the appropriate way to disclose schemes such as clinical excellence awards and salary sacrifice, further detail regarding the group basis of preparation and the assurances that can be provided regarding NHS pension detail provided to DHSC Group bodies.

DHSC's Decisions

3.24 DHSC is grateful for respondents providing a wish list of additional context and guidance they consider beneficial to complement the current suite of remuneration reporting guidance.

3.25 In certain instances the revised guidance built into the 2018-19 and 2019-20 GAM takes account of some of the additional issues raised by respondents. For example, the Group basis of preparation has been more clearly situated in the GAM. Regarding suggested areas that haven't been fully addressed by this iteration of remuneration reporting guidance, the remuneration will consider these as part of the wider aspirations the group intends to address through 2019-20.

Other Changes to the 2019-20 GAM

3.26 Minor wider changes were made to the GAM. It was noted in the consultation that; the 2019-20 GAM has been reformatted to reflect DHSC's approach to digital best practice for accessibility, addition of an IFRIC 23 summary to Chapter 4 Annex 1 and removal of the additional transition detail provided in relation to IFRS 9 and 15.

Consultation questions on other changes made to the GAM

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

Summary of Responses

3.27 Respondents did not provide any substantial comments in regards to this question. One respondent confirmed that the revised formatting improved the clarity of the document.

DHSC's Decisions

3.28 DHSC interprets that respondents had little or no objections to the wider changes proposed in the GAM.

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

Summary of Responses

3.29 Respondents suggested a number of areas for which further guidance could be considered. The table below summarises the general questions posed and DHSCs considered responses.

Table 1: Consultation responses and DHSC's Decisions

This table summarises the responses received regarding wider comments respondents provided in the left column, with DHSC's response to the comments in the right column

<p>One Respondent requested the GAM to contain links or detail pertaining to other Accounts Directions for DHSC Group bodies.</p>	<p>It was considered that the revised Directions inserted into the 2017-18 GAM was the most effective way of communicating these revisions to NHS trusts. Whilst this does not signpost a strategic intent for DHSC to use the GAM as a hub through which all Group body Account Directions can be located, DHSC will consider further whether such an inclusion will add value to Chapter 2 Annex 3.</p>
<p>A respondent requested further examples to illustrate where agency relationships can take hold.</p>	<p>As well as detail in paragraph 4.18, paragraph 4.419 onwards in Chapter 4 Annex 8 also provides further examples and considerations that need to be made in regards to this determination. Nevertheless, DHSC will continue to consider whether the guidance offered remains relevant to the delivery environment.</p>
<p>A number of queries were raised in regards to guidance provided throughout the GAM in regards to treatment of plant, property and equipment assets. Issues included; the distinction between formal revaluation and indexation, additional contextualisation of IFRIC 12 and IAS 40 and further guidance on accounting for disposals where valuation is based on an alternative site.</p>	<p>In regards to the distinction of practices between formal revaluation and indexation, DHSC considers the paragraphs following 4.125 as sufficient to provide clarity on this matter. DHSC also considers the detail in relation to IFRIC 12 in Chapter 4 and its supporting annex (Chapter 4 Annex 5) to be equally sufficient in informing the necessary judgements of group bodies in the accounting for service concession</p>

	<p>arrangements. DHSC will continue to consider the merits of providing additional detail in respect of these areas.</p> <p>Likewise, DHSC will consider whether further guidance around disposals is appropriate for the GAM.</p> <p>In relation to IAS 40 an additional paragraph has been built into the 2019-20 GAM to confirm the difference in treatment of an investment property in an entities' group accounts to individual financial statements.</p>
<p>One respondent queried as to whether Parliamentary Accountability reporting for should be mandated to be disclosed in the annual reports than the notes to the accounts, as such reporting is not driven by the application of IFRS standards.</p>	<p>DHSC consider the options put forward in Chapter 3 of the GAM remain appropriate for those entities for which the inclusion of a Parliamentary Report is not mandatory.</p>
<p>A respondent queried whether there would be an impact to 2019-20 reporting requirements based on the implementation of two regulations (Companies (Miscellaneous Reporting) Regulations 2018 and Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018) that amend Companies Act disclosure requirements which form the basis of the directors' report per the FReM.</p>	<p>DHSC will follow the FReM and associated Public Expenditure System (PES) paper that confirms annual reporting requirements, in detailing any changes to reporting with these regulations coming into force.</p> <p>Consequently, DHSC is following up with HM Treasury to confirm expectations on the impact of these regulations on public sector annual reporting requirements and will communicate changes via the standard GAM additional guidance process.</p>
<p>Additional clarity has been requested regarding the circumstances in which the calculation of PDC Dividend would vary.</p>	<p>Paragraphs 4.192 to 4.196 of the GAM offer information regarding items that impact PDC dividend calculation. DHSC continues to consider how this guidance can be further enhanced to assist users of the GAM.</p>
<p>A respondent commented that the GAM does not explicitly require published annual report and accounts to be made publicly available.</p>	<p>The GAM mandates entities not required to lay an annual report and accounts before Parliament, must publish a full annual report and accounts locally. NHSI have communicated a deadline for this to be completed as 31st July 2019.</p> <p>DHSC consider the requirements detailed in the GAM and by NHSI as sufficient in ensuring that NHS trusts these are publicly available.</p>
<p>A query was raised as to whether a process exists for the communication of</p>	<p>DHSC can confirm that the core Department provides the regulatory bodies</p>

the appropriate related parties to DHSC group bodies.	and NAO with the necessary related party details as part of the year end process.
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Amendments to IFRS effective for 2019-20

- 3.30 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. These amendments were summarised in the consultation document.
- 3.31 It was posed that detail regarding these amendments will therefore not supplement current guidance offered on the relevant standards detailed in the 2019-20 GAM, even when EU adoption is confirmed.

Consultation question on amendments to IFRS 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?

Summary of Responses

- 3.32 Respondents had no expectation of any IFRS standard amendments generating an impact to the health sector which would require additional contextualised guidance provided by the GAM. One respondent suggested an illustrative example may assist users regarding the amendment relating to the re-measuring of previously held interests under IFRS 3 and IFRS 11.

DHSC's Decisions

- 3.33 DHSC is content to publish the GAM without any additional guidance offered in relation to the amended IFRS standards, agreeing that no specific contextualisation is required for DHSC group bodies. DHSC will continue to monitor whether this judgement remains appropriate.

4. Conclusion to the consultation

- 4.1 We are grateful for all the responses we received to our consultation. As a result of these, we made a number of changes to the 2019-20 GAM before publication and finalisation of the year end 2018-19 GAM, which we hope will ensure they better meets users' needs.
- 4.2 In considering the comments received, we have needed to ensure that the guidance given in the GAM is clear and sufficient, without becoming overly detailed or prescriptive. In some cases, therefore, we have noted comments made but have concluded that the guidance should remain as drafted.
- 4.3 We would like to thank all respondents for their direct input in to delivering a product FRAB was content to approve. There is always scope to deliver further improvements to the GAM, and we have taken away a number of issues from this consultation for consideration in drafting the 2020-21 manual. We will welcome your input to the GAM 2020-21 in due course.
- 4.4 [The 2019-20 GAM has been published on GOV.UK](#)

Annex 1: List of respondents to the consultation

South Western Ambulance Service NHS FT

Care Quality Commission

Grant Thornton UK LLP

Mazars LLP

Dorset Healthcare University NHS FT

Healthcare Financial Management Association

Ernst and Young LLP

Deloitte LLP

NHS England and NHS Improvement

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