



## Financial Reporting Advisory Board Paper

### Department of Health and Social Care Group Accounting Manual 2021-22

<b>Issue:</b>	This paper provides an update on plans to publish the 2021-22 Department of Health and Social Care Group Accounting Manual and presents a post consultation draft for comment and approval
<b>Impact on guidance:</b>	The Manual supplements the FReM for the DHSC Group
<b>IAS/IFRS adaptation?</b>	The Manual follows the adaptations and interpretations in the FReM
<b>Impact on WGA?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	The Manual follows the adaptations and interpretations in the FReM
<b>Impact on budgetary regime?</b>	N/A
<b>Alignment with National Accounts – ESA 10?</b>	N/A
<b>Impact on Estimates?</b>	N/A
<b>Recommendation:</b>	FRAB is asked to note the proposed timetable for publication, comment and approve the Group Accounting Manual 2021-22 for publication
<b>Timing:</b>	The Manual is published annually at the end of April

## **DETAIL**

### ***Background***

1. The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) for 2020-21 was approved by FRAB and published 30 April 2020. The 2021-22 Manual is being finalised to a similar timetable.
2. The Department's consultation on the 2021-22 Manual with key stakeholders and preparers has closed. Adjustments stemming from consultation responses and feedback received from Board members, have been built in to the 2021-22 GAM under consideration.
3. The main changes in this draft of the 2021-22 GAM relate to the inclusion of additional guidance for centrally procured items as part of the pandemic response and refinement of current guidance relating to going concern.
4. Other changes include cosmetic changes to aide understandability and clarity of guidance provided throughout the GAM and reflecting up to date references to UK adopted IFRS and annual audit reports than annual audit letters for instance.

### ***Purpose of this paper***

5. This paper describes the changes incorporated into the 2021-22 Manual, sets out the remaining timetable for publication, and presents a post consultation draft.
6. This paper confirms the accompanying annexes provide a draft of the GAM and detail the specific changes that have been made which are summarised below.

### ***Accounting for centrally procured items during the COVID-19 pandemic response***

7. As the Board will be aware from previous health sector updates, as part of the pandemic response the Department (and Other Government Departments (OGDs) in the case of vaccines for example) has engaged in the central procurement of various items such as ventilators and other medical equipment, personal protective equipment, testing kits and vaccines which are being distributed to entities in the Health and Social Care sector (internal and external to the DHSC Group), OGDs and other external entities for no consideration. The GAM provides principles based guidance as to how these transactions should be accounted for by DHSC group bodies in the body of Chapter 4 of the GAM.
8. The GAM identifies where DHSC group bodies are agents in certain arrangements, as in the case of use of testing kits and vaccines and where a principal, such as with the donation of personal protective equipment or ventilators to NHS bodies, how the donation is to be treated as a grant under IAS 20 with the non-cash benefit scoring to income, as permissible per the FReM, with approval from the sponsor department.
9. As the COVID-19 transaction guidance will be equally relevant to the 2020-21 GAM, the Department's intention is to update the 2020-21 GAM with the proposed guidance considered by the Board as part of its review of the 2021-22 GAM. This is why the additional COVID accounting detail is not listed as a key change from the 2020-21 GAM compared to the 2021-22 GAM on page 6 of the GAM being reviewed by the Board.
10. Whilst the proposed approaches to these COVID-19 transaction streams has been discussed in more detail with NAO and HM Treasury where required, the Department is yet to finalise these

treatments with NAO. Nevertheless NAO has provided support to the principles underlying the approaches being taken with the COVID-19 transaction streams referenced in the GAM.

### ***Refinement of going concern guidance***

11. During the consultation period on the 2021-22 GAM the NAO Local Audit Code and Guidance team engaged the Department and NHS England and NHS Improvement (NHSE and NHSI) to consider whether the guidance relating to going concern in the respective manuals (GAM and FT Annual Reporting Manual) ensured a proportionate approach was being taken to establishing the going concern of NHS bodies and existence of material uncertainties in relation to going concern.

12. Whilst the GAM has always referenced the appropriate interpretations and adaptations per the FReM, the NAO team felt that clear articulation, based on expected service continuity, that both material uncertainty over going concern or the ability to prepare accounts on a going concern basis will only ever occur in exceptional circumstances, has not been offered by previous iterations of the guidance that sits in the GAM. As such the updates to the body of Chapter 4 and minor update to Chapter 3 offer this narrative, which has been agreed with NAO and NHSE and NHSI. It is again the intention of the Department to update the 2020-21 GAM with the proposed guidance considered by the Board as part of its review of the 2021-22 GAM.

### ***Other changes***

13. As is described in paragraph 4 of this paper, the Department has taken the 2021-22 GAM cycle as an opportunity to enhance the understandability of the GAM. Board members have contributed comments as to how the GAM can be less repetitive and more streamlined in its approach to Chapters 1 and 2 in particular, which have been incorporated into the GAM. Moreover out of date references to 'annual audit letters' and 'EU adopted IFRS' have been replaced.

14. The 2021-22 GAM consultation made reference to the revised remuneration disclosures in relation to fair pay disclosures as well as updates to off-payroll reporting as a result of the latest HM Treasury Public Expenditure System paper concerning Annual Report and Accounts compilation for 2020-21. Feedback received in relation to guidance as drafted for the consultation, has been incorporated into Chapter 3 of the 2021-22 GAM under review by the Board.

### ***Timetable and Next Steps***

15. The high-level timetable for publication of the 2021-22 Manual is set out at Annex A.

16. A post consultation version of the Manual, shaped by comments received from FRAB members and consultation respondents, is now submitted for FRAB comment and approval, allowing publication at the end of April 2021.

### ***DHSC Group Accounting Manual 2021-22***

17. The draft 2021-22 Manual is presented in Annex C. Specific changes made in the GAM are detailed in Annex B.

### ***Recommendation***

18. FRAB is asked to:

- note the proposed timetable for publication,
- approve the draft Group Accounting Manual 2021-22 for publication.

***Annex A: Timetable for publication of the 2021-22 DHSC Group Accounting Manual***

Dec 20	2021-22 FReM published
Jan 21	Draft 2021-22 GAM shared with FRAB
Feb 21	Consultation with key stakeholders and user community on draft GAM
Feb - Mar 21	Post consultation amendments
18 Mar 21	2021-22 GAM submitted to FRAB for comment and approval
Mar – Apr 21	Post FRAB changes
Apr 21	FD sign-off
30 Apr 21	2021-22 GAM published

***Annex B: Department of Health Group Accounting Manual 2020-21 Change log***

See separate document.

***Annex C: Department of Health Group Accounting Manual 2020-21***

See separate document