

Financial Reporting Advisory Board Paper

DH Group Manual for Accounts 2015-16 and NHS Foundation Trust Annual Reporting Manual 2015-16

Issue:	This paper presents the draft 2015-16 Department of Health Group Manual for Accounts and the draft 2015-16 NHS Foundation Trust Annual Reporting Manual for FRAB approval. This is in advance of consultations on the Manuals.
Impact on guidance:	The Manuals supplements the FReM for the DH Group
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	N/A
Impact on budgetary regime?	N/A
Alignment with National Accounts	N/A
Impact on Estimates?	N/A
Recommendation:	FRAB is asked to approve the updates to the DH Group Manual and the FT ARM, and the FT ARM's continued divergences from the HM Treasury FReM
Timing:	2015-16

DETAIL

Background

1. The Department of Health's Group Accounting Manual 2014-15 was provided in draft to FRAB in April 2014 and approved in November 2014. The 2014-15 Manual was restructured in line with the Department's intention to move towards the issue of a single DH Group-wide Manual that will contain core Group information, supplemented by entity-type specific guidance where appropriate and useful. For 2014-15 the Manual included some CCG and NHS Trust-specific guidance presented separately in appendices.

2. It was our intention to incorporate the NHS Foundation Trusts' Annual Reporting Manual (ARM) into the Group Manual for 2015-16. However following a detailed analysis by the Department and Monitor we identified a number of issues that require longer time to work through. In particular we need to consider the best way of combining the accounting and annual report requirements, with FT's annual report being determined by Monitor through a separate direction, resolving some differences in consolidation approach, deciding on the level of detail, and also we remain committed to ensure that each manual is usable for local preparers.

3. For 2015-16 the two manuals are increasingly aligned and are on a path for full convergence. The Department and Monitor have considered the new 2015-16 accounting additions to the two manuals in tandem, with the same detail provided in both manuals. The principles of the manuals are consistent and so they are being presented together to FRAB.

4. We expect to bring a converged health manual to FRAB for 2016-17, with each section of the two manuals being worked through to bring them together.

5. The main changes made to both Manuals, in accordance with the revised 2015-16 FReM are:

- the adoption of IFRS 13 Fair Value and adaption of IAS 16 and IAS 38 for the public sector context in line, and
- adopting the revised format of the annual report

DH Group Accounting Manual 2015-16

6. The Manual is presented at Annex C, with additions since the previous year shown red text. Chapter 2 Annual Report and Accounts, has undergone significant changes in light of the changes to the structure and format. It should be noted that some material previously in Chapter 4 has now been moved into Chapter 3 where it relates more to accounting principles rather than the accounting statements and notes.

7. Chapter 5 (the example accounts format) has not been included at this stage. They will be issued in due course in an organisation-specific format for both CCGs and NHS Trusts.

8. A table of the main changes is included in Annex A.

2015-16 FT ARM

9. The FT ARM is presented at Annex D, with the text changed from last year shown in bold italics and with key points attached in Annex B. The main differences between NHS trust and NHS foundation trust accounts are shown in Annex 2 to Chapter 2 of the FT ARM.

10. There are no new divergences from the FRAB in the FT ARM 2015-16 from those previously agreed by FRAB and they are listed in Annex 1 to Chapter 2 of the FT ARM.

Next Steps

11. Following FRAB approval both Manuals will be subject to consultation in the relevant health sectors. We propose to consult NHS Trusts, CCG and NHS Foundation Trusts in late May, so not to distract from their preparation of final accounts and working through the audit process.

12. Following the full consultation with stakeholders, both Manuals will be finalised and if any significant changes arise then we will refer those back to FRAB for approval.

Recommendation

13. FRAB is asked to approve:

- the updates to the DH Group Manual
- the updates to the FT ARM, and
- the FT ARM's continued divergences from the HM Treasury FReM.

and note the progress towards full convergence of the two Manuals.

Annex A: Detail of changes in DH Group Manual 2015-16

2015-16 Manual reference	Change	Reason for change
Para 1.3	New text added re: Monitor responsibility to achieve adherence to the DH Group Manual when Monitor accounting policy advice differs from that in the DH Group Manual	Clarify Monitor role in ensuring FT consistency with rest of DH group
Para 1.12	Stated correct name of summarisation schedule guidance for NHS Trusts as <i>In-Year Guidance for Financial Monitoring & Accounts and Management Information Forms</i>	Minor amendment for clarity
Chapter 2	New structure of Annual Report and Accounts	To reflect 2015-16 FReM
Chapter 2, Annex 2 Pensions table	Pension 'at age 60' changed to 'at pension age'	To reflect changes in NHS and civil service pension schemes and to align with the FReM
Chapter 2, CCG appendix 2	Increased guidance on GP pensions disclosures (CCG-specific)	To provide greater clarity to CCGs
Exit Packages Severance payments Staff numbers Staff sickness	All references to these have been moved to chapter 2 – as they now sit in the Staff report in the new ARA structure. Only staff costs remains in the Financial Statements and notes	New ARA as described in FReM
Chapter 2 Severance payments	Minor changes to reflect changes made in 2014-15 to disclose 'maximum (highest), minimum (lowest) and median values of special severance payments'	To reflect HMT requirements
Chapter 2 Off payroll	Changes to reflect 2014-15 PES paper requirements to clarify disclosures required	To reflect HMT requirements
3.25	Minor wording changes to section on Gross and Net accounting to clarify example, to emphasise the significance of transfer of risk/reward in determining treatment and to emphasis necessity to agree treatments within the DH group	Amendment for clarity
Group Accounting – paras 3.40 onwards	Greater detail on group accounting issues. Brings MfA into greater alignment with FT ARM	Provide clarity and greater alignment with FT ARM
3.81	Charities – mention of new charities SORPS	To raise awareness
IFRS table: - IAS 16/38 – - IAS24 4.57 onwards on PPE (and related references)	IAS16/38 – discussion of new adaptations in light of IFRS13 IAS 24 – mention of amendment relating to Key Management Personnel services	To reflect amended standards/FReM interpretations/FReM adaptations
IFRS table Paras 4.57-4.66 Chapter 4, Annex 7	References to IFRS13 Fair value and new adaptations to IAS16 and IAS38	To reflect 2015-16 FReM
Chapter 4	Removed note numbers	To encourage entities to include only the notes they need, the note numbers have been removed although other content remains

Annex B: Summary of FT specific key changes in the 2015-16 FT ARM

Proposed New Disclosure in FT Accounts of the costs of Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT)

- Monitor considers that information disclosed in foundation trusts' accounts on PFI is inadequate for the user of the accounts to have a clear picture of the cost of PFI. The FReM requires disclosure of the service cost, and the reader will be able to add this in their mind to the interest element disclosed elsewhere, but other elements of the PFI payment are not disclosed. Monitor therefore intends to consult with foundation trusts on requiring an additional disclosure on PFI expenditure in foundation trusts' accounts to help the reader identify how much is spent on PFI during the year. The proposed requirement, which will be subject to consultation, is included in paragraph 5.51 of the FT ARM.

Application of the new format of the annual report in the FReM to FTs

- Foundation trusts already prepare a backward looking annual governance statement as part of the annual report, and also prepare a forward looking corporate governance statement as part of Monitor's regulation of foundation trusts. As such Monitor considers that it may be confusing to have a 'corporate governance report' sub-section of the accountability report, containing the directors' report, statement of accounting officer responsibilities and governance statement. Monitor has therefore not applied the use of a 'corporate governance report' subheading, but has still included these elements within the accountability report.
- Many elements of the Parliamentary accountability report are not relevant for foundation trusts. Rather than include a very short section called 'Parliamentary accountability' for the sake of it with no context, Monitor has included the relevant elements of this within the directors' report.
- Foundation trusts have previously been required to publish details of the NHS staff survey results for the trust in their annual report. Monitor has adopted the staff report from the FReM and included the staff survey results within this. To aid clarity – and given the limited changes to the remuneration report itself – Monitor has separated the 'remuneration and staff report' into a 'remuneration report' and 'staff report' for foundation trusts' annual reports.
- Some elements previously required in foundation trusts' annual reports have been retained as part of the directors' report, performance report and staff report. Other elements have been refined or removed as part of the spirit of the simplifying and streamlining accounts project.
- There are no new disclosure requirements placed on foundation trusts' annual reports.