



# Financial Reporting Advisory Board Paper

## NHS Manual for Accounts 2013-14

<b>Issue:</b>	FRAB is asked to note progress, and to consider and comment on the draft Manual.
<b>Impact on guidance:</b>	The proposed text in Annex A relates to the FReM.
<b>IAS/IFRS adaptation?</b>	n/a
<b>Impact on WGA?</b>	n/a
<b>IPSAS compliant?</b>	n/a
<b>Interpretation for the public sector context?</b>	n/a
<b>Impact on budgetary regime?</b>	n/a
<b>Alignment with National Accounts</b>	n/a
<b>Impact on Estimates?</b>	n/a
<b>Recommendation:</b>	Members are requested to note the Department's plans with respect to the Manual – particularly the intention to issue for consultation and to bring the final version to FRAB in late summer.
<b>Timing:</b>	2013-14

### DETAIL

#### *Background*

1. FRAB received an update on 4 April 2013, where it was proposed that the draft Manual would be submitted to FRAB at the planned 30 May 2013 meeting. At the same time, it will be circulated for comments (to the NAO, Audit Commission, Treasury and NHS bodies, including Monitor and NHS England).

2. A summary of comments received, and the revised final Manual itself, will then be circulated to FRAB members in July. This would allow the Department to seek FRAB approval in advance of the next scheduled FRAB meeting in November 2013.

### ***The 2013-14 manual: changes from earlier versions***

3. With the closure of SHAs and PCTs on 1 April 2013, and Clinical Commissioning Groups (CCGs) and NHS England becoming fully operational on that date, it is became clear that the DH Group Account can only be delivered by a reporting structure that works through Monitor and NHS England to obtain sub-consolidations of the various types of NHS body.
4. NHS England has agreed that CCGs will be required to comply with the manual for Accounts.
5. The manual therefore no longer contains the detailed, item-by-item consolidation schedule completion guidance that it had provided for NHS Trusts, PCTs and SHAs. Rather, it seeks to provide Group accounting instructions, under which detailed guidance can be issued to various types of reporting entity.
6. The manual therefore:
  - Sets the reporting requirements for the DH Consolidation Group as a whole: the manual forms part of the Accounts Directions issue by Secretary of State to Monitor, NHS England, ALBs and NHS trusts;
  - Provides a framework within which Monitor and NHS England can operate to issue Accounts Directions to FTs and CCGs;
  - Ensures sufficient consistency across the Group to permit the consolidation required by the GRAA; and,
  - *Does not* attempt to provide guidance on the completion or submission of summarisation schedules, which are dealt with outside the manual.
7. The Department will ensure that the summarisation schedules issued to NHS bodies for quarterly and year-end reporting are cross-referenced to the manual and to the example accounts format. The example format itself will be reviewed during the year to ensure that it reflects developments in reporting requirements in the period.

### ***Accounting developments and FReM divergence***

8. For 2013-14, the major policy development is in respect of the consolidation of the returns of NHS Charitable Funds. This marks the end of a long-standing exemption from the FReM, whereby consolidation was not to be carried out by individual entities within in the NHS Group.
9. The only divergence from FReM in 2013-14 relates to accounting for the transfer of balances from NHS bodies that closed on 1 April 2013 to new or existing successor bodies within the Group or wider public sector. The exemption is strictly limited to those assets and liabilities that transferred as a direct consequence of the closure of NHS bodies on 1 April 2013: for all other Group transactions or reconstructions in the year the FReM is followed in detail.

10. With Treasury approval, the Department requires successor bodies to apply a modified version of “absorption accounting” such that the gain arising on receipt of an asset (or loss arising on the transfer of a liability) is recognised in reserves rather than in current year income and expenditure.
11. The Department considers that this arrangement better captures the underlying reality of the transaction: typically a CCG is vested with ex-PCT assets and liabilities by the Secretary of State with a view to its carrying on the major share of the PCTs duties.
12. The arrangement preserves: the Department’s General Fund on consolidation; has no overall impact on the Department’s budgetary or accounting outturn post-consolidation; and avoids the creation of distorting performance overshoots or undershoots on the first day of the year.

**Department of Health**

**24 May 2013**