Department of Health

NHS Manual for Accounts 2013-14

3 Financial Reporting Requirements

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NHS Manual for Accounts
2013-14

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3 Financial Reporting Requirements

Introduction

Government Financial Reporting Manual (FReM)

3.1 The financial reporting requirements for NHS bodies are determined by the Department of Health with the approval of HM Treasury. Bodies within the resource accounting boundary must follow the Treasury's *Government Financial Reporting Manual* (FReM). The FReM generally applies EU-adopted IFRS in effect for accounting periods commencing on or before 1 January 2013. NHS bodies must follow the FReM unless there are any divergences agreed by HM Treasury. The one agreed divergence for 2013-14 relates to the accounting arrangements for NHS transition and the break-up of the SOFPs of those bodies that were dissolved on 1 April 2013 (see below). FReM requirements are reflected, as appropriate, in this manual.

Generally accepted accounting practice (GAAP)

3.2 This manual follows GAAP to the extent that it is meaningful and appropriate in the NHS context. It was announced in the Government's 2008 budget that public sector bodies would produce financial statements based on International Financial Reporting Standards from 2009-10. From that year, therefore, GAAP consists of:

- the accounting and disclosure requirements of the Companies Act 2006, and
- pronouncements by or endorsed by the International Accounting Standards Board (IASB) including the Framework for the Preparation and Presentation of Financial Statements, International Financial Reporting Standards and interpretations,

interpreted as necessary by

- the body of accumulated knowledge built up over time and promulgated in, for example, textbooks, technical journals and research papers.

3.3 International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides that, where there is no specific international standard or interpretation for a particular issue, users can look to the pronouncements of other standard setters (for example the UK Accounting Standards Board) provided that they do not conflict with international standards and interpretations.

International Financial Reporting Standards (IFRS)

3.4 The Government FReM and the Manual for Accounts follow International Financial Reporting Standards (as adopted by the European Union) and interpretations to the extent that they are meaningful and appropriate to public benefit entities: the FReM often applies interpretations and adaptations to EU-adopted Standards. A table below provides, for each international financial reporting standard and interpretation:

- its objective

- as dictated by the FReM, its applicability to the NHS, including any interpretations and adaptations

- a listing of those Standards not yet adopted

3.5 Disclosure requirements are reflected in proforma accounts and detailed guidance issued outside this Manual.

3.6 International Financial Reporting Standards can be obtained from the International Accounting Standards Board at www.ifrs.org/home.htm .

Accounting convention

3.7 NHS financial statements are prepared under the historical cost convention modified by the revaluation of fixed assets and, where material, current asset investments and inventories, to fair value as determined by the relevant accounting standard.

The Framework

3.8 The IASB's Framework for the Preparation and Presentation of Financial Statements (the Framework) sets out the principles that should underlie general purpose financial statements, the objective of which is to provide information about the financial position, performance and changes in financial position. Presentation should meet the 'common needs of most users'.

True and fair view

3.9 NHS financial statements should give a true and fair view of the state of affairs of the reporting body at the end of the financial year and of the results of the year. Section 393 of the Companies Act 2006 requires that directors must not approve accounts unless they are satisfied that they give a true and fair view. In applying section 393, any reference to 'company' should be read to mean 'NHS body'.

NHS Charities: local consolidation

3.10 From 2013-14, NHS bodies are required to consolidated NHS Charitable Funds and any other Funds that are considered to be under common control under the terms of IAS27.

3.11 There is also a requirement for the Department to consolidate NHS Charities classified by the Office of National Statistics to the public sector. "NHS Charities" is defined by section 43 of the Charities Act 1993, and includes those where trustees are appointed by the Appointment Commission under NHS Acts.

3.12 NHS bodies will therefore need to distinguish between:

- Those charitable funds that fall to be consolidated in the body's own accounts by virtue of IAS27 and
- Funds classified to the public sector by the ONS

3.13 In the rare event that a fund falls into the second category but not the first, a NHS body will be required to exclude that fund from its local consolidation, but to report financial data in respect of it to the Department to permit consolidation at the national level.

3.14 In general, it is likely that the IAS27 criteria will apply to most NHS charities.

3.15 Detailed guidance on the format of the consolidated accounts and summarisation schedules will be issued separately by the relevant authorities.

Departure from the FReM

Transfer of assets from NHS bodies closed at 1 April 2013

3.16 The handling of transfers of assets from those NHS bodies that closed under NHS transition on 1 April 2013 is outlined in Chapter 4. More detailed guidance and instructions for the completion of central returns is given on the "finman" website under "closedown and transition FAQs".

Standards and Interpretations – applicability to the NHS

EU-adopted Standards applicable in 2013-14 (except where indicated)

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
IAS 1 Presentation of Financial Statements (as amended June 2011) IAS 1 prescribes the basis for presentation of general purpose financial statements to ensure comparability with the entity's financial statements of previous periods and with the financial statements of other entities. The standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.	Applies in full with the following interpretations: References in IAS 1 to 'present fairly' and 'fair presentation' should be read to mean 'give a true and fair view' and 'truthful and fair presentation' to comply with the requirements of the Companies Act 2006. The notes to the accounts shall disclose the legislative authority for producing the accounts and the basis of preparation of the financial statements as being in accordance with the Manual for Accounts. The following provide the interpretations of going concern for the public sector context: • for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up. • Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements. NHS bodies (other than NHS Trusts and FTs) within the resource accounting boundary shall prepare a Statement of Comprehensive Net Expenditure (SOCNE) rather than a Statement of Comprehensive Income. NHS Trusts/FTs will prepare a Statement of Comprehensive Net Income (SOCNI). The flexibility to select the order of presentation of line items in the Statement of Financial Position and to present on a liquidity basis is withdrawn. NHS bodies shall prepare their Statement of Financial Position in accordance with their respective pro forma accounts. Capital disclosures (IAS 1.79-80A and 134-136A) are not required. This is because the financing of public sector entities is ultimately tax-based. An amendment effective on or after 1 July 2012 has

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	been incorporated in model accounts formats for 2013-14. This requires items of OCI to be grouped, separately identifying those that might at some point be reclassified ('recycled') from OCI to profit (e.g. available for sale financial assets and cash flow hedges) from those that will not (e.g. gains on PPE revaluation and actuarial gains/losses).
IAS 2 Inventories The objective of IAS 2 is to prescribe the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value.	Applies in full with the following adaptation: Inventories are held at the lower of current cost and net realisable value.
IAS 7 Statement of Cash Flows The objective of IAS 7 is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows that classifies cash flows during the period from operating, investing and financing activities.	Applies in full.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The objective of IAS 8 is to prescribe the criteria for selecting and changing accounting policies, and the accounting treatment and disclosure of changes in accounting policies, accounting estimates and corrections of errors.	Applies in full. Note: Preparers should consult DH about any novel or contentious accounting policies they might propose to adopt to reflect their specific circumstances. Where preparers consider it necessary to adjust retrospectively for changes in accounting policies or material errors, they should first consult DH to ensure that the budgeting and Estimates implications have been properly considered. Additionally, preparers will need to differentiate between local prior period adjustments and TCS adjustments to opening balances and the DEL and AME impact of any such adjustments.
IAS 10 Events after the Reporting Period This standard prescribes when an entity should adjust its financial statements for events after the reporting period and the disclosures required.	Applies in full with the following interpretation, for NHS trusts: Any unpaid dividends for the year will be shown as liabilities in the Statement of Financial Position. (This is because public dividend capital is not an equity instrument as defined by IAS 32).
IAS 11 Construction Contracts The objective of IAS 11 is to prescribe the accounting	Not relevant to NHS bodies other than as referred to by IAS 18.21 regarding the rendering of services.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
treatment by contractors of revenue and costs associated with construction contracts.	
IAS 12 Income Taxes The objectives of IAS 12 are to specify the accounting for current and deferred tax.	Not relevant. (Note: amendment effective 2013-14)
IAS 16 Property, Plant and Equipment The objective of IAS 16 is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. Also, see: IAS 23 *Borrowing costs* IAS 36 *Impairment of assets* IFRS 5 *Non-current assets held for sale and discontinued operations.*	Applies in full with the following interpretations and adaptations: **Interpretations:** All tangible fixed assets shall be carried at valuation at the end of the reporting period, that is, the option in IAS 16 to carry at cost is withdrawn. It is not necessary to disclose the historical cost carrying amounts. In considering the treatment of interest at initial recognition, entities shall not capitalise the Cost of Capital charge. The 'value in use' of a non cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. **Adaptations:** Gains on revaluation of fixed assets shall be credited to the revaluation reserve. Losses on revaluation shall be debited to the relevant reserve (as above) to the extent that gains have been recorded previously, and otherwise to expenditure. (But see IAS 36 Impairments: FReM divergence). Also, note that following the annual review of the useful lives of assets required by IAS 16, NHS bodies shall discuss any significant proposals to change asset lives with DH, to ensure that the budgeting implications have been considered. For 'in use' non-specialised property assets fair value should be interpreted as market value for existing use. In the RICS Red Book, this is defined as 'market value on the assumption that property is sold as part of the continuing enterprise in occupation'.
IAS 17 Leases The objective of IAS 17 is to prescribe, for lessees and	Applies in full.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
lessors, the appropriate accounting policies and disclosures to apply in relation to leases. Also see: SIC 15 *Operating leases – incentives* SIC 27 *Evaluating the substance of transactions involving the legal form of a lease* IFRIC 4 *Determining whether an arrangement contains a lease*	
IAS 18 Revenue The objective of IAS 18 is to identify the circumstances when revenue recognition criteria will be met. It also provides practical guidance on the application of those criteria. Also see SIC 31 *Revenue – barter transactions involving advertising services*	Applies in full.
IAS 19 Employee benefits IAS 19 prescribes the accounting and disclosures for all types of employee benefits: • short-term benefits, for example salaries and wages, social security contributions, paid leave and non-monetary benefits • post-employment benefits that result from employment, for example retirement benefits • other long-term benefits, for example long service or sabbatical leave • termination benefits, that is, that arise directly from termination rather than from employment. It requires an entity to recognise the cost of providing employee benefits in the period in which the benefit is earned rather than when paid or payable	Applies with the following interpretations: NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan. For NHS bodies with staff who are in funded schemes eg the local government scheme: • All actuarial gains and losses shall be recognised in reserves The use of the corridor approach is not allowed. • The discount rate determined in accordance with IAS 19 by the scheme's actuary should be used. Voluntary terminations with agreed terms under a pension scheme should be treated as post-employment benefits and so discounted using the rate applicable to pensions of that scheme. Involuntary terminations and voluntary terminations whose terms are available for a short time only should be treated as termination benefits and so discounted using the rate for provisions. Note: 2011 revision is applicable in 2013-14.
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance The objective of IAS 20 is to prescribe the accounting	Applies in full with the following interpretations: Parliamentary Supply does not fall within the meaning of government grants.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
treatment for government grants and the disclosures about other government assistance. Also see SIC 10 *Government assistance – no specific relation to operating activities*	Entities receiving a grant to fund the purchase of a specific asset should credit that grant to current year income, unless the entitlement to the asset is conditional such that the income should be deferred.
IAS 21 The Effects of Changes in Foreign Exchange Rates The objective of IAS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentational currency.	Applies in full with the following interpretation: The presentational currency will be the same as the functional currency i.e. pounds sterling.
IAS 23 Borrowing Costs The objective of IAS 23 is to prescribe the accounting for borrowing costs.	Applies in full with the following interpretations: Borrowing costs in respect of qualifying assets held at fair value shall be expensed.
IAS 24 Related Party Disclosures The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.	Applies in full with the following interpretations: NHS bodies must disclose the Department of Health as the parent department; a note of the main entities within the public sector with which the body has had dealings (no information needs to be given about these transactions), and details of material transactions between the body and individuals who are regarded as related parties. The requirement to disclose the compensation paid to management, expense allowances and similar items paid in the ordinary course of an entity's operations will be satisfied by the disclosures made in the notes to the accounts and in the remuneration report. In considering materiality, regard should be had to the definition in IAS 1, which requires materiality to be judged 'in the surrounding circumstances'. As a result, materiality should thus be judged from the viewpoint of both the entity and the related party, whether it is an individual or a corporate body. NHS bodies must disclose as a related party all linked charities including the nature of the relationship, and details of material transactions between the body and the linked charity.
IAS 26 Accounting and Reporting by Retirement Benefit Plans The objective of IAS 26 is to provide guidance on the form and content of the financial statements prepared	Not applicable

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
by retirement benefit plans.	
IAS 27 Consolidated and Separate Financial Statements IAS 27 requires parent undertakings to provide information about the economic activities of their group as a single economic entity in consolidated financial statements. Also see: SIC 12 *Consolidation – special purpose entities*	Applies in full, except for the following divergences: HM Treasury has agreed a divergence from the FReM for 2011/12 ***and 2012-13*** for NHS bodies. Under the divergence, NHS linked charitable funds are not to be consolidated where the NHS body is considered to have the power to control the funds in accordance with IAS 27. NHS bodies within the resource accounting boundary shall only consolidate interests in other entities where: • the other entity is also within the resource accounting boundary; and • the parent entity exercises in-year budgetary control over the entity. Even so, there is an exemption if both bodies are consolidated by an ultimate parent. If either of the above conditions for consolidation are not met, the interest shall be shown as an investment (see IAS 39).
IAS 28 Investments in Associates The objective of IAS 28 is to reflect the effect of investments in associates where the reporting entity is partly accountable for the associate's activities.	Not relevant, as FReM determines the treatment of investments in what would be, under this Standard, associates.
IAS 29 Financial Reporting in Hyperinflationary Economies IAS 29 requires the financial statements of an entity whose functional currency is that of a hyperinflationary economy to be stated in terms of the measuring unit current at the end of the reporting period.	Unlikely to be relevant.
IAS 31 Interests in Joint Ventures The objective of IAS 31 is to reflect the effect of a venturer's shares in joint ventures.	Relevant in respect of jointly-controlled assets or jointly-controlled operations that do not involve the creation of separate entities. Not relevant where separate entities exist, due to the Departmental Accounting boundary override. IAS 31 is superseded by IAS 28 (2011) for periods starting on of after 1 January 2013 so this change is effective for the NHS in 2013-14.
IAS 32 Financial Instruments: Presentation IAS 32 establishes principles for presenting financial instruments as liabilities or equities and for offsetting financial assets and financial liabilities.	Applies in full with the following interpretation: Public dividend capital (PDC) is not an equity instrument as defined by the IAS. It should be presented as a form of financing in the Statement of

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
Also see: IAS 39 *Financial instruments: recognition and measurement* IFRS 7 *Financial instruments: disclosures* IFRIC 9 *Reassessment of embedded derivatives*	Financial Position. Dividends payable on PDC should be charged in arriving at the trust's retained surplus/deficit for the year.
IAS 33 Earnings per Share The objective of IAS 33 is to prescribe principles for the determination and presentation of earnings per share to improve performance comparisons.	Not relevant.
IAS 34 Interim Financial Reporting IAS 34 prescribes the minimum content of an interim financial report and the principles for recognition and measurement for an interim period. Also see: *IFRIC 10: Interim Financial Reporting and Impairment.*	NHS bodies are not required to publish interim financial reports. Applies in full to a body that elects to do so.
IAS 36 Impairment of Assets The objective of IAS 36 is to ensure that assets are carried at no more than their recoverable amount.	Applies in full with the following adaptations as per Treasury FREM: Where an impairment arises from a clear consumption of economic value, this must be taken in full to the revenue account, whatever the state of the revaluation reserve on that asset. In other words, the Standard's requirement to take impairments in all cases to reserves in the first instance does not apply. Where impairments are posted to the revenue account and a revaluation reserve balance does exist, a transfer is to be made from re revaluation reserve to the General Fund/I&E Reserve. That transfer will be the lower of the total impairment or the balance available on the revaluation reserve. For impairments that do not represent a clear consumption of economic resources (generally, market/price fluctuations) the treatment is to take these to the revaluation reserve in the first instance, with any excess taken to the revenue account. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. Reversal of impairment – FReM's adaptation of IAS 36 applies only to the recognition of impairments. Otherwise, IAS 36 applies in full. It follows then that reversals of impairments will be accounted for as in the Standard.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets The objective of IAS 37 is to ensure that provisions, contingent liabilities and contingent assets are appropriately recognised and measured and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.	Applies in full with the following interpretation: Where the cash flows to be discounted are expressed in current prices, entities should use the real discount rate set by Treasury. Note – voluntary early retirement provisions under scheme terms are discounted at the pensions rate rather than the general provisions rate: Treasury sets discount rates for post employment benefits including injury benefit liabilities. (See Chapter 4 for more detail on Treasury standard discount rates)
IAS 38 Intangible Assets IAS 38 prescribes the measurement and accounting for intangible assets that are not specifically dealt with in another standard. It allows an intangible asset to be recognised only if specific criteria are met. Also see: IAS 36 *Impairment of assets* SIC 32 *Intangible assets – web site costs.*	Applies in full with the following interpretations: Following initial recognition, for subsequent measurement IAS 38 permits the use of either the cost or revaluation model for each class of intangible asset. Where an active market exists, intangible assets should be carried at fair value at the end of the reporting period, that is, the cost option is withdrawn. Where no active market exists, entities should revalue the asset, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use from income generation, the asset should be valued using depreciated replacement cost. These measures are an estimate of fair value.
IAS 39 Financial Instruments: Recognition and Measurement The objective of IAS 39 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Also see: IAS 32 *Financial instruments: presentation*	Applies in full with the following interpretations: Loans, public dividend capital and other interests held by government departments in public (but not private) bodies outside the departmental boundary should be reported at historical cost, less any impairment, in the financial statements of both bodies that are parties to the transaction. Where future cash flows are required to be discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
IFRS 7 *Financial instruments: disclosures* IFRIC 9 *Reassessment of embedded derivatives*	discount rate set by HM Treasury. Liabilities under financial guarantee contracts that are not accounted for as insurance contracts should be measured initially at their fair value and, as appropriate, amortised subsequently to expenditure. Subsequent changes in probabilities should not be reflected in the carrying value except where the result is that IAS 37 would require recognition of a liability because it is more probable than not that a transfer of resources will occur. Note: IAS 39 includes a number of alternative accounting treatments. Entities should discuss any significant choices to be made with DH to ensure that the budgeting implications have been properly considered.
IAS 40 Investment Properties The objective of IAS 40 is to prescribe the accounting treatment for investment property and related disclosure requirements.	Where properties are held for income generation or capital investment as their primary purpose then IAS 40 will apply. Such properties should be measured at their fair value, that is the cost option in the standard is withdrawn. This is unlikely to be relevant to NHS bodies unless the NHS charitable funds hold investment properties and the funds are consolidated by the NHS body.
IAS 41 Agriculture The objective of IAS 41 is to prescribe the accounting treatment and disclosures related to agricultural activity, which is the management of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.	Not relevant.
IFRS 1 First-time Adoption of International Financial Reporting Standards The objective of IFRS 1 is to ensure that the entity's first IFRS financial statements contain high quality information that: ● is transparent for users and comparable over all periods presented; ● provides a suitable starting point for accounting under IFRS, and ● can be generated at a cost that does not exceed the benefits to users	Applies, with reduced adaptations listed in the FReM.
IFRS 2 Share-based Payment The objective of IFRS 2 is to specify the financial reporting by an entity when it undertakes a share-based payment transaction under which the entity acquires or receives goods or services.	Not relevant.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
IFRS 3 Business Combinations IFRS 3 requires business combinations to be accounted for using the purchase method (also known as the acquisition method).	Applies in full to any combination of an NHS body with an entity outside the public sector. IFRS 3 does not apply to combinations involving entities under common control. The combination of two or more public sector bodies (i.e. entities within the boundary of the Whole of Government Accounts) into one new body, or the transfer of functions from one part of the public sector to another shall be accounted for using the absorption-based approach set out in the FReM. However, where two or more NHS trusts are dissolved and a new one established, there will be a new start, with public dividend capital set equal to the value of the net assets of the new body, as required under legislation.
IFRS 4 Insurance Contracts The objective of IFRS 4 is to specify the financial reporting for insurance contracts by an entity that issues such contracts (the insurer)	Not relevant.
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations IFRS 5 sets out requirements for the classification, measurement and presentation of non-current assets held for sale.	Applies in full with the following interpretation: To qualify as 'discontinued operations' activities must cease completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.
IFRS 6 Exploration for and Evaluation of Mineral Resources The objective of IFRS 6 is to specify the financial reporting for the exploration for and evaluation of mineral resources.	Not relevant.
IFRS 7 Financial Instruments: Disclosures The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate • the significance of financial instruments to the entity's financial position and performances; and • the nature and extent of risks from financial instruments and how the entity manages those risks. Also see: IAS 32 *Financial instruments: presentation*	Applies in full subject to the interpretations as set out above for IAS 32 and IAS 39. Additional disclosures required where: - financial assets derecognised in their entirety, but the entity has continuing involvement in them - financial assets are not derecognised in their entirety

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
IAS 39 *Financial instruments: recognition and measurement* IFRIC 9 *Reassessment of embedded derivatives*	
IFRS 8 Operating Segments The objective of IFRS 8 is to require an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.	Applies in full. Note: Unless already provided by IFRS 8 disclosures, NHS bodies are also required to provide the following fees and charges information for each income generation activity where the full cost is over £1m or is otherwise material: • the financial objective; • full cost; • income; • surplus or deficit; and • performance against the financial objective.
IFRS 9 Financial Instruments IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts.	**Issued but not adopted by the FReM** Deferred until January 2015 This forms the first phase in the ASB's project to replace IAS39.
IFRS 10 Consolidated Financial Statements The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	**Issued but not adopted by the FReM** Published by IASB October 2010. Effective from 2014-15.
IFRS 11 Joint Arrangements The objective of the IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).	**Issued but not adopted by the FReM** Published by IASB May 2011. Effective from 2014-15.
IFRS 12 Disclosure of Interests in Other Entities The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.	**Issued but not adopted by the FReM** Published by IASB May 2011. Effective from 2014-15.
IFRS 13 Fair Value Measurement	**Issued but not adopted by the FReM**

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
This IFRS: (a) defines fair value; (b) sets out in a single IFRS a framework for measuring fair value; and (c) requires disclosures about fair value measurements.	A FReM Exposure Draft (12)03 refers. The Standard is not yet adopted or included in the FReM.
SIC 7 Introduction of the Euro The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover to the Euro.	Would apply in full but not relevant at present.
SIC 10 Government Assistance – No Specific Relation to Operating Activities Government assistance to entities meets the definition of government grants in IAS 20 even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall not be credited directly to equity.	Applies in full with the following interpretations: Parliamentary Supply does not fall within the meaning of government grants. Entities receiving a grant to fund the purchase of a specific asset should credit that grant to the revenue account, unless such conditions are attached to the grant that it cannot be recognised immediately (in which case the value of the receipt will be credited to deferred income).
SIC 12 Consolidation – Special Purpose Entities The objective of SIC 12 is to ensure that, regardless of the equity holding and control structure, where in substance the special purpose entity is controlled by the sponsor, it should be consolidated.	Applies in full to NHS trusts. NHS bodies within the resource accounting boundary shall only consolidate interests in other entities where: • the other entity is also within the resource accounting boundary; and • the parent entity exercises in-year budgetary control over the entity. Even so, there is an exemption if both bodies are consolidated by an ultimate parent. If either of the above conditions for consolidation are not met, the interest shall be shown as an investment. Additionally, funds held on trust are excluded from ***local*** consolidation in ***2012-13.*** ***Withdrawn for periods starting on or after 1 January 2013 when SIC 12 is superseded by IFRS 10 Consolidated Financial Statements.***
SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers Where venturers make non-monetary contributions in exchange for an equity share in a jointly controlled entity, the venturer recognises in profit and loss the element of any gain or loss that is attributable to the equity interests of the other venturers except when	Not relevant, as the FReM prescribes the method of accounting for investments in external entities. ***Withdrawn for periods starting on or after 1 January 2013 when SIC 13 is superseded by IFRS 11 Joint Arrangements.***

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specific conditions are met.	
SIC 15 Operating Leases – Incentives All incentives for the agreement of a new or renewed operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the nature of the incentive or the timing of payments.	Applies in full.
SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets The deferred tax liability or asset arising from the revaluation of a non-depreciable asset should be measured on the basis of the tax consequences that would follow from recovery of the carrying amount of that asset through sale, regardless of the basis of measuring the carrying amount of the asset.	Not relevant. ***Withdrawn for periods starting on or after 1 January 2012, when the SIC is superseded by the Deferred Tax: Recovery of Underlying Assets amendment to IAS 12.***
SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders A change in tax status does not give rise to increases or decreases in amounts recognised directly in equity unless the consequences relate to transactions and events that result in a direct charge or credit to equity.	Not relevant.
SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease A series of transactions that involve the legal form of a lease is linked and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.	Applies in full.
SIC 29 Service Concession Arrangements: Disclosures SIC 29 lists the disclosure requirements for service concession arrangements. Also see: IFRIC 12 *Service concession arrangements.*	The disclosures in SIC 29 'Service Concession Arrangements: Disclosures' should be provided for all PFI and LIFT schemes where they are accounted for as service concession arrangements.
SIC 31 Revenue – Barter Transactions Involving Advertising Services Revenue from an exchange involving advertising services cannot be reliably measured by reference to the fair value of the services received. This is because	Applies in full.

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reliable information is not available to the seller to support such measurement. However, a seller can reliably measure revenue at fair value of the advertising service it provides in a barter transaction.	
SIC 32 Intangible Assets – Web Site Costs SIC-32 lays down the conditions for an entity to recognise internal web site development costs as an intangible asset	Applies in full.
IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities IFRIC 1 prescribes the accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources, or a change in the discount rate.	The circumstances are unlikely to arise. If they do, applies in full.
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments The entity must consider all the terms and conditions of the financial instrument in determining its classification as a financial liability or equity.	Not relevant.
IFRIC 4 Determining whether an Arrangement contains a Lease Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether: • fulfilment of the arrangement is dependent on the use of a specific asset or assets; and • the arrangement conveys a right to use the asset. See also: IAS 17 *Leases.*	Applies in full.
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds The contributor to a fund shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay.	Not relevant.

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IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment A liability for waste management costs for historical household equipment does not arise as the products are manufactured or sold. There is no obligation unless and until a market share exists during the measurement period.	Not relevant
IFRIC 7 Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies* In the reporting period in which the entity first adopts IAS 29, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary.	Unlikely to be relevant.
IFRIC 9 Reassessment of Embedded Derivatives An entity shall assess whether an embedded derivative is required under IAS 39 to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.	Applies in full.
IFRIC 10 Interim Financial Reporting and Impairment An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. See also: *IAS 34 Interim Financial Reporting.*	NHS bodies are not required to publish interim financial reports at present. Applies in full to a body that elects to do so.
IFRIC 11: IFRS 2 - Group and Treasury Share Transactions	Unlikely to be relevant.
IFRIC 12 Service Concession Arrangements IFRIC 12 deals primarily with public-to-private service concession arrangements for the delivery of public services. It applies only to concession agreements where the use of the infrastructure is controlled by the	The FReM interprets IFRIC 12 to apply 'mirror accounting' arrangements to infrastructure service concession arrangements. In practice this means that the assets of most PFI schemes and many NHS LIFT schemes will be accounted for as Property, Plant and Equipment. The application of this interpretation is

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grantor. Also see: SIC 29 *Service Concession Arrangements: Disclosures*	complex. NHS bodies should refer apply both Treasury's guidance 'Accounting for PPP arrangements including PFI contracts under IFRS' in chapter 6 of the Financial Reporting Manual (FReM) at http://www.hm-treasury.gov.uk/frem_index.htm and the DH guidance on accounting for PFI and NHS LIFT under IFRS published on the Download/IFRS section of the finman website.
IFRIC 13 Customer Loyalty Programmes An entity shall account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted.	Not relevant
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction An entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. An entity shall analyse any minimum funding requirement at a given date into contributions that are required to cover (a) any existing shortfall for past service on the minimum funding basis and (b) the future accrual of benefits. If an entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity shall determine whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan.	Potentially relevant where NHS bodies have pension assets and liabilities for staff who remain in a Local Government Pension Scheme. FReM Chapter 12 lists the adaptations and interpretations of IAS 19 relevant to the public sector.
IFRIC 15 Agreements for the Construction of Real Estate If an entity contracts to deliver goods or services in addition to the construction of real estate, the agreement may need to be split into separately identifiable components.	Not relevant
IFRIC 16 Hedges of a Net Investment in a Foreign Operation Hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's	Unlikely to be relevant.

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functional currency.	
IFRIC 17 Distributions of non-cash assets to owners This interpretation clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners.	Applicable in 2011/12
IFRIC 18 Transfer of assets from customers This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service.	Applicable in 2011/12
IFRIC 19 Extinguishing financial liabilities with equity instruments	Unlikely to be relevant
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Not relevant
IPSAS32 Service Concession Arrangements: Grantor	Relevant where FReM is silent on “grantor” accounting for service concession arrangements.
Standards issued or amended but not yet adopted in FReM	
IFRS 9 Financial Instruments	Published October 2010. Date of adoption uncertain.
IFRS 10 Consolidated Financial Statements	Published May 2011 Expected to be effective in 2014-15
IFRS 11 Joint Arrangements	Published May 2011 Expected to be effective in 2014-15
IFRS 12 Disclosure of Interests in Other Entities	Published May 2011 Expected to be effective in 2014-15

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IFRS13 Fair Value	Published May 2011 FReM adaptations under consideration. May be adopted in 2013-14
IAS 27 Separate Financial statements	Published May 2011 Expected to be effective in 2014-15
IAS 28 Associates and Joint Ventures	Published May 2011 Expected to be effective in 2014-15
IAS 32 Financial instruments – Presentation (amendment)	Published December 2011 Expected to be effective in 2014-15