



## Financial Reporting Advisory Board Paper

### NHS Manual for Accounts 2013-14

<b>Issue:</b>	FRAB is asked to consider the Manual for Accounts, it having been amended in response to consultation on the draft presented at FRAB 117.
<b>Impact on guidance:</b>	The proposed guidance follows the FReM, subject to an agreed divergence.
<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 approve the Manual for issue to certain NHS bodies.
<b>Timing:</b>	2013-14

#### **DETAIL**

##### ***Background***

1. FRAB received the draft Manual at the 24<sup>th</sup> May meeting (under cover of FRAB(117)09), after which it was circulated for comments (to the NAO, Audit Commission, Treasury and NHS bodies, including Monitor and NHS England).

### ***The 2013-14 Manual***

2. A summary of comments received and the revised final Manual itself are attached. Members are invited to review these and approve the Manual.
3. The summary of comments received and actions taken provides a schedule of changes made to the draft, although the correction of some minor grammatical or typographical errors is not documented.

### ***Changes from the draft version presented to FRAB on May 24th***

4. The only substantive change from the Draft will be the inclusion of further disclosures on severance pay. This development is in part a response to PAC and Cabinet Office concerns in this area. A new Note will be added to the mandatory accounts format, with detailed guidance in Chapter 5. The format and content of the disclosure is under discussion at present, but once agreed with Treasury and stakeholders will be published as a formal amendment to the Manual.

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

5. 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.
6. 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.
7. 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.
8. 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.
9. 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**

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