Department of Health & Social Care

Department of Health and Social Care Group Accounting Manual

Additional Guidance version 2

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Contents

Introduction

1. The 'Department of Health and Social Care Group Accounting Manual 2018-19 (GAM)' was published in April 2018. The GAM sets the accounting policies to be followed by members of the Department's consolidation group and provides principles-based guidance to DHSC group bodies on how to prepare and complete their annual reports and accounts (ARA).

2. NHS foundation trusts follow the 'NHS Foundation Trust Annual Reporting Manual' 2018-19 for the purpose of preparing annual reports.

3. This additional guidance updates the GAM, is mandatory, and must be treated as having the same status as the GAM itself.

4. This document will be updated as additional FAQs arise, so that all additional guidance for 2018-19 will be contained within a single document.

5. This is the second version of additional guidance to be published for the 2018-19 GAM, with an update to the 2018-19 GAM published in December 2018 to help inform interim accounts preparation.

6. Where additional FAQ's have arisen since version 1 of this guidance, their title is supplemented with the term 'NEW'.

FAQ 1 – Changes in Discount Rates at 31 March 2019

Background

7. As advised in the GAM (Chapter 4 Annex 7), Treasury discount rates are revised each year and are notified by means of a PES paper.

8. 'PES (2018) 12 Revised Discount Rates for General Provisions, Post-Employment Benefits and Financial Instruments' was issued on 10 December 2018.

GAM application

9. By issue of this FAQ, Chapter 4 Annex 7 and Chapter 5 Annex 1, note 1.22 of the GAM are updated in accordance with the following text.

Change in discount rate methodology for general provisions for 2018-19

10. For general provisions, nominal discount rates are being applied from 2018-19 (previously real). Nominal rates do not take account of inflation and therefore entities are required to also inflate the cash flows relating to general provisions accordingly.

11. Cumulative combined inflation and discount rates for up to 50 years are provided in paragraph 23.

Summary of discount rates to be applied as at 31 March 2019

12. The discount rates to be applied as at 31 March 2019 for general provisions, post-employment benefits and financial instruments are summarised below.

Rate Type	Rate	Prior Year Rate
General Provision Discount Rate		
Short-term	0.76% (nominal)	-2.42% (real)
Medium-term	1.14% (nominal)	-1.85% (real)
Long-term	1.99% (nominal)	-1.56% (real)
Very long-term	1.99% (nominal)	-1.56% (real)
General Provisions Inflation Rates		
Year 1	2.00%	
Year 2	2.00%	

Into perpetuity	2.10%	
Post-Employment Benefits Discount Rate		
Real Rate	0.29%	0.10%
Nominal Rate	2.90%	2.55%
Financial Instrument Discount Rate		
Real Rate	0.7%	0.7%
Nominal Rate	3.7%	3.7%

13. The following detail is provided to assist preparers in utilising the various discount rates.

General provisions

14. General provisions discount rates are used to discount future cash flows related to provisions recognised in accordance with IAS 37.

15. Nominal discount rates are being applied from 2018-19. The movement from real to nominal rates represents a change in estimate rather than a change in accounting policy. Therefore, no prior period adjustment is required per IAS 8.

16. Treasury gives rates for short, medium, long-term and very long term general provisions. These are defined as follows:

- Short-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary between 0 and up to and including 5 years from the Statement of Financial Position date.

- Medium-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary of after 5 and up to and including 10 years from the Statement of Financial Position date.

- Long-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary of after 10 years and up to and including 40 years from the Statement of Financial Position date.

- Very long-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary exceeding 40 years from the Statement of Financial Position date.

17. Note – it is the timing of the expected cash flow that governs the discount rate used – the PES papers make no reference to setting discount rates according to the overall term of the arrangement. To arrive at the SoFP balance for a provision with expected cash flows occurring in each year for 60 years, cash flow should first be inflated, then each of the four discount rates will need to be applied. It would not be appropriate to discount cash flows at the very long-term rate in the first 40 years simply because the liability is not expected to be wholly discharged until year 60.

Inflation assumptions

18. The central inflation assumptions offered on page 3 and 4 have been provided by HM Treasury. They are based on what is judged to be the most statistically reliable measure of inflation (the Office of Budget Responsibility Consumer Price Index (OBR CPI) forecasts).

19. The OBR CPI inflation rates should be applied across the following time frames:

- Year 1: applied on cash flows up to and including 1 year from the date of the Statement of Financial Position.
- Year 2: applied on cash flows from after 1 and up to and including 2 years from the date of the Statement of Financial Position.
- Into perpetuity: applied on cash flows from after 2 years from the date of the Statement of Financial Position.

20. HM Treasury consider the presumption to use OBR CPI inflation rebuttable only in certain instances. It is for each entity to assure itself over the reasonableness of the judgements made against the following criteria provided by HM Treasury as to when it is considered acceptable to rebut the presumption of inflating cashflows using OBR CPI.

21. Where no legal or other requirement prohibits the application of OBR CPI inflation, entities must satisfy themselves that;

- There is a logical basis for not applying OBR CPI inflation rates, in that the proposed alternative inflation rates would be clearly more applicable to the underlying nature of the cash flows;
- The proposed alternative inflation rates must be free from management bias. An indication of this may be an independent or professional assessment of the proposed alternative inflation rates, such as by a committee, third party or other experts; and,

- The inflation rates instead applied should be based on logical and relevant calculations and reasonable underlying assumptions. For example, they may be comparable to existing financial indices or based on historical trends.

22. Where a legal requirement exists prohibiting the application of the OBR CPI rates or requires an adjustment to the rate applied;

- An inflation rate specified by statute or by the courts can be applied instead of OBR CPI inflation;

- OBR CPI can be adjusted where this is required by statute or by the courts; for example, in the case of legally enforceable public pension caps; and,

- Where OBR CPI cannot be applied by statute or by the courts, but an alternative rate or adjustment is not prescribed, a comparative inflation rate must instead be applied and must fulfil conditions as set out above.

23. The below table is an excerpt from Annex C of PES (2018) 12 Revised which provides combined OBR CPI inflation and discount rates for up to 50 years after the Statement of Financial Position date. Annex C offers combined rates for up to and including 200 years. This is available on request from [the GAM inbox.]

Year	Inflation rate	Inflation cumulative	Discount rate	Cumulative Combined rate
(a)		(b)	(c)	(d) d=b*c^a
1	2.0%	102.0%	0.76%	101.23%
2	2.0%	104.0%	0.76%	102.47%
3	2.1%	106.2%	0.76%	103.83%
4	2.1%	108.5%	0.76%	105.20%
5	2.1%	110.7%	0.76%	106.60%
6	2.1%	113.1%	1.14%	105.63%
7	2.1%	115.4%	1.14%	106.64%
8	2.1%	117.9%	1.14%	107.65%
9	2.1%	120.3%	1.14%	108.67%
10	2.1%	122.9%	1.14%	109.71%
11	2.1%	125.4%	1.99%	100.94%

12	2.1%	128.1%	1.99%	101.05%
13	2.1%	130.8%	1.99%	101.15%
14	2.1%	133.5%	1.99%	101.26%
15	2.1%	136.3%	1.99%	101.36%
16	2.1%	139.2%	1.99%	101.47%
17	2.1%	142.1%	1.99%	101.57%
18	2.1%	145.1%	1.99%	101.68%
19	2.1%	148.1%	1.99%	101.78%
20	2.1%	151.2%	1.99%	101.89%
21	2.1%	154.4%	1.99%	101.99%
22	2.1%	157.7%	1.99%	102.10%
23	2.1%	161.0%	1.99%	102.20%
24	2.1%	164.3%	1.99%	102.31%
25	2.1%	167.8%	1.99%	102.41%
26	2.1%	171.3%	1.99%	102.52%
27	2.1%	174.9%	1.99%	102.63%
28	2.1%	178.6%	1.99%	102.73%
29	2.1%	182.3%	1.99%	102.84%
30	2.1%	186.2%	1.99%	102.94%
31	2.1%	190.1%	1.99%	103.05%
32	2.1%	194.1%	1.99%	103.16%
33	2.1%	198.2%	1.99%	103.26%
34	2.1%	202.3%	1.99%	103.37%
35	2.1%	206.6%	1.99%	103.48%
36	2.1%	210.9%	1.99%	103.58%
37	2.1%	215.3%	1.99%	103.69%
38	2.1%	219.9%	1.99%	103.80%

39	2.1%	224.5%	1.99%	103.91%
40	2.1%	229.2%	1.99%	104.01%
41	2.1%	234.0%	1.99%	104.12%
42	2.1%	238.9%	1.99%	104.23%
43	2.1%	243.9%	1.99%	104.34%
44	2.1%	249.0%	1.99%	104.44%
45	2.1%	254.3%	1.99%	104.55%
46	2.1%	259.6%	1.99%	104.66%
47	2.1%	265.1%	1.99%	104.77%
48	2.1%	270.6%	1.99%	104.88%
49	2.1%	276.3%	1.99%	104.98%
50	2.1%	282.1%	1.99%	105.09%

Post-employment benefits provisions

24. The real discount rate applicable on 31 March 2019 is 0.29% (the previous year's rate was 0.10%).

25. The rate is applicable for all provisions for continuing obligations arising from previous employment service.

Financial instruments

26. The financial instrument discount rate is used for some financial instruments in accordance with the requirements of the Financial Reporting Manual.

27. The FReM states (Table 6.2):

    "Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real financial instrument discount rate set by HM Treasury (promulgated in PES papers) as applied to the flows expressed in current prices."

28. The real financial instrument discount rate to be applied at 31 March 2019 is 0.7% (previously 0.7%). The rate as applied to flows expressed in current prices is RPI + 0.7%, where the financial instrument is index linked to RPI. Where the financial instrument is not linked to an inflationary index, and a nominal rate is required, 3.7% may be used.

FAQ 2 – Injury Costs Recovery revenue – probability of non-recovery

Background

29. Paragraphs 4.56 – 4.57 of the GAM describe the treatment of Injury Costs Recovery (ICR) revenue.

30. When estimating lifetime expected credit losses in relation to ICR receivables, the GAM instructs NHS providers to include an amount within the credit loss allowances for contract receivables to reflect income that is not expected to be recoverable. Each year, the Compensation Recovery Unit (CRU) advises a percentage probability of not receiving the income.

31. The updated figure for 2018-19 is 21.89%. By issue of this FAQ, paragraphs 4.56 – 4.57 of the GAM are amended to reflect this figure.

GAM application

32. If it is material, 21.89% of accrued ICR revenue should be used to calculate expected credit losses. However, where NHS providers are in a position to make a reliable estimate of their own percentage, they should use their own local information to inform the expected credit loss position.

33. The above instruction aligns to the IFRS 9 simplified approach to impairments as mandated by the HM Treasury adaptations and interpretations to the Standard.

FAQ 3 – Minor Updates to the 2018-19 GAM

Background

34. This FAQ collates various clarifications required to update the 2018-19 GAM.

Correction of the 'as at date' for opening balance adjustments under IFRS 9

35. The 'as at date' for the opening balance adjustments required to be recognised at the beginning of the 2018-19 annual reporting period, have been incorrectly stated in the GAM as 1 April 2019. This error occurred in limited areas of IFRS 9 guidance in the initial version of the 2018-19 GAM published.

36. By issue of this FAQ the 'as at date' for implementation provided in the IFRS 9 guidance offered throughout the GAM is amended to 1 April 2018.

Minor amendment to sustainability reporting guidance

37. Changes in the Standard Contract around sustainability reporting requirements are reflected in the GAM guidance offered.

38. By issue of this FAQ the GAM guidance offered in paragraph 3.17 bullet four to the following;

    "Information on environmental matters, including the impact of the entity's business on the environment. Reporting entities are expected to report annually on sustainability matters. Reporting requirements can be met by following the standard reporting format for NHS bodies produced by the Sustainable Development Unit. It is envisaged that reporting entities will produce a report that will be integral, with reference throughout the annual report and accounts and not a separate standalone report."

Clarification of the Annual Audit Letter as distinct from the ISA 260

39. Further to the additional annex that was inserted into the 2017-18 GAM governing publication of the Annual Audit Letters for CCGs and NHS Trusts, an additional paragraph is inserted to confirm that this letter is separate and distinct from the ISA 260 in which the auditor reports to those charged with governance, for which there is no requirement to make publicly available.

40. By issue of this FAQ paragraph 2A6.3 of the GAM reflects the following text;

    "The annual audit letter is separate and distinct from the ISA 260 in which the auditor reports to those charged with governance, for which there is no requirement to make publicly available."

Various terminological changes requested by NHS England

41. The GAM requires update to the terminology used when referencing various initiatives and the templates used to deliver the NHSE consolidation.

42. By issue of this FAQ the GAM is revised to reflect the following text in paragraphs 2.46, 2B1.2, 2.25 and 4.61 respectively;

    "NHS England issues a model accounts template for CCGs, use of which is optional and does not form part of its accounts direction and does not form part of the GAM."

    "NHS England issued guidance on reporting CCG performance ("Note 42" in the CCG_CSU template). This is reproduced below:"

    "With the advent of Sustainability and Transformation Partnerships (STP) and new models of care, new entities and joint ventures are being formed to deliver healthcare services. These new entities will need to be assessed to determine whether they are DHSC group bodies and should therefore be consolidated."

43. Consequently, all further references to transformation plans in the GAM have been updated to reflect the revised title.

"Provider Sustainability Fund (PSF)

The PSF enables NHS providers to earn income linked to the achievement of financial controls and performance targets. Access to both the general and targeted elements of PSF are unlocked as NHS providers meet their financial control totals. At each quarter, a minimum of 70% of allocated funding will be released upon achievement of the financial control total, with up to a further 30% released where a provider also meets its agreed trajectories for delivery of operational standards."

44. Consequently, all further references to the transformation fund in the GAM have been updated to reflect the revised title.

45. The Commissioner Sustainability Fund is now referenced per the below text which supplements the GAM after paragraph 4.70:

"The Commissioner Sustainability Fund (CSF)

The CSF has been established as a targeted fund totalling up to £400 million to support those CCGs that would otherwise be unable to live within their means for 2018-19. Combined with the additional monies being allocated to all CCGs and the lifting of restrictions re non-recurrent monies, NHS England expects that all CCGs will therefore be able to live within their means during 2018-19. Guidance on access to the CSF and the operation of the CSF is contained in the document 'Commissioner Sustainability Fund and Financial Control totals for 2018-19 :guidance' on the NHS England website.

CSF will be distributed to eligible CCGs via the allocation process. It will be treated as group funding in the NHS England parent account and therefore CCGs will show the funding as allocation in the normal way. It is not treated as income in the CCG books."

FAQ 4 - Accounting for the Maternity Incentive Scheme

46. This FAQ confirms the appropriate accounting treatment for transactions between acute trusts and NHS Resolution from the establishment of the Maternity Incentive Scheme (MIS).

Overview of the MIS mechanism

47. The MIS has been introduced to support the delivery of safer maternity care through the introduction of an incentive element to contributions to the Clinical Negligence Schemes for Trusts (CNST).

48. The scheme requires acute trusts to evidence delivery against the 10 maternity safety actions that have been agreed with the maternity safety champions and experts from the national bodies, DHSC, other arms-length bodies and advisory bodies external to the DHSC Group such as the Royal Colleges.

49. Where a trust has successfully demonstrated compliance against the 10 actions, in accordance with the decision-making processes mapped out by the scheme documentation, it will recover its element of CNST contribution that went in to the incentive fund, plus a share of any unallocated funds. Acute trusts unable to evidence sufficient compliance with the actions may be able to recover a lesser sum from the fund.

50. NHS Resolution does not retain any sums of the fund for managing the maternity incentive fund or the wider process. The fund is fully distributed to the trusts in the same financial year as the CNST contribution is made, even where appeals against the initial assessment arise.

Accounting for MIS

51. Although there are performance requirements for trusts to meet to obtain monies from the fund, the application of IFRS 15 to MIS has been deemed not applicable on the basis that NHS Resolution would not be considered a customer in this arrangement, in accordance with paragraph 6 of the standard.

52. IFRS 15 paragraph 6 identifies that a counterparty to a contract should not be considered a customer if 'the counterparty has contracted with the entity to participate in an activity or process in which the parties to the contract share in the risks and benefits that result from the activity'.

53. As both trusts and NHS resolution will share the benefit of the safer delivery of maternity care, the arrangement therefore does not seek to deliver an output of one

entity's ordinary activities, to a customer and thus a trust's receipt of monies from the incentive fund is considered out of scope of IFRS 15.

54. In the absence of another specific standard with which to apply the receipt of monies from the maternity incentive fund, IAS 1 paragraph 33 delivers the most authoritative statement as to the appropriate treatment of such receipts. Paragraph 33 confirms that offsetting is only permitted when it reflects the substance of the transaction.

55. In rewarding services that take steps to improve delivery of best practice, the scheme is seeking to reduce the impact of obstetric claims on CNST. Trusts complying with the 10 safety actions, should therefore experience a reduction in the level of necessary contribution to CNST, through delivering maternity care more safely.

56. It is therefore appropriate for the trust to offset the receipt of monies from the incentive fund against its CNST contributions, thus recognising a clinical negligence cost for the year, which is net of any incentive fund receipts.

57. Per the Conceptual Framework entities will be expected to recognise any award from the incentive fund when it can be measured reliably. This is to be interpreted as when NHSR has confirmed the award amount payable to the trust. This interpretation includes instances in which appeals are being considered.

58. By issue of this FAQ the following text is inserted into the GAM at paragraph 4.73:

"Maternity Incentive Scheme (MIS)

The MIS has been introduced to support the delivery of safer maternity care through the introduction of an incentive element to contributions to the Clinical Negligence Schemes for Trusts (CNST).

Where a trust has successfully demonstrated compliance against the 10 safety actions, it will recover its element of CNST contribution that went in to the maternity incentive fund, plus a share of any unallocated funds. Trusts unable to evidence sufficient compliance with the 10 actions may be able to recover a lesser sum from the fund.

As NHS Resolution is not deemed a customer in this arrangement, the monies received from the scheme are considered out of scope of IFRS 15 per paragraph 6 of the Standard.

Trusts should offset the receipt of monies under the MIS against its CNST contributions. This is consistent with the rules for offsetting in IAS 1 paragraph 33.

In accordance with the principles of the Conceptual Framework, trusts will only be expected to recognise any award from the incentive fund when it can be measured reliably. This is to be interpreted as when NHSR has confirmed the award amount payable to the trust. This interpretation includes instances in which appeals are being considered."

FAQ 5 - HM Treasury Financial Reporting Manual - December 2018 Update

Background

59. HM Treasury publishes the Financial Reporting Manual (FReM), on which the GAM is based. Each December, HMT publishes the FReM for the next accounting year, as well as updating the FReM for the current year as required.

60. HMT published the 2019-20 FReM and an update to the 2018-19 FReM during the week commencing 17 December 2018. As some sections of text in the GAM are based directly on the FReM, it is therefore appropriate to update them similarly where needed.

61. This FAQ describes the relevant FReM changes and how each affects the text of the GAM.

Notification of the publication of the revised Conceptual Framework

62. The IASB published a revised Conceptual Framework in 2018 which is effective for periods beginning after 1 January 2020. References to the Framework in various standards have therefore also been amended for the 2020-21 financial year. Whilst early adoption is permissible under the FReM, DHSC group bodies will continue to apply the current Conceptual Framework, issued in 2010, until 2020-21 to aid consistency of approach across the Group.

63. Accordingly, paragraph 2.10 bullet four of the GAM has been revised to the following:

    "the Conceptual Framework for Financial Reporting issued by the IASB. Practitioners should note that a revised Conceptual Framework will apply from the 2020-21 financial year. Whilst early adoption is permissible under the FReM, DHSC group bodies will continue to apply the current Conceptual Framework, issued in 2010, until the 2020-21 financial year. This aids consistency of approach across the Group."

Reference to the Contingent Liability Approval Framework

64. The framework which supports and enhances the standing guidance on the reporting of contingent liabilities in Annex 5.4 of Managing Public Money, is now referenced in the FReM in paragraph 3.2.12 section b.

65. Consequently, note 1 to the table of requirements on page 53 of the GAM is supplemented to provide a reference to the guidance for the framework per the following text:

"*Guidance on the reporting requirements for contingent liabilities, including those too remote to require disclosure under IAS 37 but which must nevertheless be reported to Parliament, can be found in Managing Public Money and within the Contingent Liability Approval Framework published by HM Treasury."

Reference to the Data Protection Act 2018

66. By issue of this FAQ all references to the Data Protection Act 1998 in the GAM are updated to reference the replacement 2018 Act which has brought General Data Protection Regulations (GDPR) into UK law.

GDPR Implications for the Remuneration and staff report

67. Paragraph 5.3.17 and 5.3.18 of the FReM provide updated guidance regarding the disclosure of information about named individuals in light of GDPR.

68. Direct instruction is given to inform individuals regarding the intention to disclose, invite them to see what is to be published and confirm that they can object under Article 21 of GDPR. The FReM explains the need to demonstrate compelling grounds for disclosure which override the interests, rights and freedoms of the named individual.

69. Accordingly, paragraph 3.41 and 3.42 of the GAM has been revised to reflect the following text:

"There is a presumption that information about named individuals will be given in all circumstances and all disclosures in the remuneration report will be consistent with identifiable information of those individuals in the financial statements. However, individuals must be advised in advance of the intention to disclose information about them, with an invitation for sight of the intended information to be published, and notification that the individual can object under Article 21 of the General Data Protection Regulation (GDPR).

If a member does not agree to disclosure, the entity must consider whether to accept it. Under such circumstances the GDPR requires the entity to demonstrate compelling legitimate grounds for the disclosure which override the interests, rights and freedoms of the member or for the establishment, exercise or defence of legal claims. Entities are strongly advised to take legal advice in such a case, because a decision not to publish may be challenged under the Freedom of Information Act. Where non-disclosure is agreed, the fact that disclosure has been omitted should be disclosed."

Trade Union Facility Time (TUFT) Reporting Requirements

70. The FReM incorporates the statutory ARA disclosures for in scope entities stemming from the 'Trade Union (Facility Time Publication Requirements) Regulations 2017'.

71. The disclosure requirements are included in paragraph 5.3.28, section f of the FReM, which covers staff report requirements.

72. Accordingly, the GAM provides additional detail regarding the required disclosure under TUFT and links to external guidance in section f) of paragraph 3.64 as per the following text:

"f) Trade Union Facility Time Reporting Requirements - Entities in scope of the Trade Union (Facility Time Publication Requirements) Regulations 2017, which took effect from 1 April 2017, are required to publish detail as prescribed by the Statutory Instrument (SI) in their ARA.

The regulations and subsequent disclosure apply to those entities listed in schedule 1 part 2 and part 5 of the regulations and are an employer that has at least one trade union representative and which has more than 49 full time equivalents during any seven, of the twelve month relevant period (1st April to 31st March). Disclosure would not be required if the period of the annual report for a demising trust is less than seven months.

Entities should note that legal titles, rather than operating titles are employed in the schedule. For instance, the Health and Social Care Information Centre is referenced than its trading name of NHS Digital.

Whilst the majority of Group bodies are in scope, it is a deliberate act on the part of the regulations to exclude advisory bodies, expert panels and bodies with a predominantly commercial focus.

Per the Cabinet Office guidance on facility time publication offered to assist preparers in meeting the ARA and wider reporting requirements, disclosure can be made in the form prescribed by the SI in staff report, or can be referenced in the staff report and then disclosed fully and in the prescribed form, in an annex to the ARA.

Schedule 2 of the regulation and Annex A of the Cabinet Office guidance provide the prescribed layout for the disclosure under this regulation. No disclosures are required for prior periods."

Updated IFRS 15 Adaptation

73. HM Treasury has provided further clarity regarding the public sector adaptations of IFRS 15.

74. Further detail has been given to the adaptation of the definition of a contract to ensure consistency with the adaptation of IAS 32 covered in paragraph 78 below.

75. Secondly, additional detail has been provided regarding the process of revenue recognition for revenue generated by taxes, fines or penalties that is permitted to be retained by the entity. For instances in which such revenue is wholly non-refundable and leads to no further obligations, HM Treasury has developed criteria to assist the matching of revenue in such scenarios.

76. Consequently, the GAM adaptations of IFRS 15 in Chapter 4 Annex 1 and paragraph 4.48 have been updated to reflect the following text:

"The definition of a contract is expanded to include legislation and regulations which enables an entity to receive cash or another financial asset from another entity that is not classified as a tax by ONS. The costs of preparing the legislation or regulations do not amount to assets under IFRS 15 (91-94).

Where by statute or Treasury consent, an entity is permitted to retain the revenue from taxation, fines and penalties, this revenue shall be treated as arising from a contract and accounted for under IFRS 15 (15a).

However, where entities receive revenue through taxation, fines and penalties which is wholly non-refundable and leads to no obligations, entities are not required to wait until all, or substantially all, of the promised revenue has been received to recognise the revenue. In these instances, entities should recognise revenue when an equivalent to a taxable event has occurred, the revenue can be measured reliably, and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. All these elements are required to be satisfied."

New Adaptation of IAS 32

77. Whilst HM Treasury application guidance for IFRS 9 drew attention to the implication of a need to apply IFRS 9 to an adapted definition of a contract in instances such as assessing expected credit losses under IFRS 15, the 2018-19 FReM was not explicit in maintaining a consistent approach to an adapted definition of a contract in respect of financial instruments.

78. As such HM Treasury has proposed an adaptation of IAS 32 which stipulates that references to the terms ‘contract’ and ‘contractual’ within IAS 32 includes legislation and regulation which in all other respects would meet the definition of a financial instrument per paragraph 11 of IAS 32 and doesn’t give rise to transactions classified as tax, except where such transactions are recognisable as revenue under the IFRS 15 adaptation.

79. Accordingly, Chapter 4 Annex 1 and paragraphs 4.176 and 4A6.7 to 4A6.11 of the GAM have been updated to reflect the clarification HM Treasury has offered in regards to what constitutes a financial instrument, per the following text:

"IAS 32 is interpreted as follows:

Public Dividend Capital (PDC) is not an equity instrument and must be presented as a form of financing in the SoFP (see Chapter 4 Annex 1: IFRS Standards and applicability to the DHSC group). Dividends on PDC must be presented as a form of financing in the SoCNE / SoCI and with a payable or receivable recognised as appropriate in the SoFP. PDC dividend expenditure forms part of an NHS provider's retained surplus/deficit for the year.

IAS 32 is adapted as follows:

References to 'contract' and 'contractual' within IAS 32 include legislations and regulations which give rise to arrangements that in all other respects would meet the definition of a financial instrument under IAS 32.11 and, do not give rise to transactions classified as a tax by the Office of National Statistics, except for revenue from taxation, fines and penalties that is recognised due to the IFRS 15 adaptation to the definition of a contract.

HM Treasury has interpreted and adapted IFRS 9 and IAS 32 as set out in the FReM and adopted in this manual at paragraphs 4.175 and 4.177.

Note the applicability of HM Treasury's adaptation of IAS 32. This expands the definitions of contract or contractual within IAS 32 to include legislation and regulation which gives rise to arrangements that in all other respects would meet the definition of a financial instrument under IAS 32.11 but do not give rise to transactions classified as a tax."

80. Practitioners should note that the standing interpretation governing treatment of PDC remains in place.

81. NHS providers should note that this new adaptation of what constitutes a financial instrument in the public sector has the effect of bringing Injury Cost Recovery (ICR) within the scope of IAS 32, and consequently IFRS 7 disclosures. ICR debtors should therefore now be included within financial asset disclosures required by IFRS 7. HM Treasury has confirmed that this adaptation should not be employed retrospectively as the retrospective approach for transitioning to IFRS 9 and 15 has been withdrawn per the FReM.

Revision to Model Statements of Accounting Officers' Responsibilities

82. HM Treasury has revised the model statements found in annex 1 of the FReM to reflect the language used in the UK Corporate Governance Code.

83. Whilst the GAM reflects the necessary detail in a summarised manner, reference is made to the model statements in the FReM in paragraph 3.28 per the following text:

"The Accounting/Accountable Officer is required to confirm that the ARA as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the ARA and the judgments required for determining that it is fair, balanced and understandable. NHS Improvement issue model statements of Accounting / Accountable Officer Responsibilities for use by NHS Foundation Trusts and NHS Trusts. NHS England issue an annual report template on SharePoint for CCGs to utilise. Other DHSC group bodies may wish to consider the model statements offered in Annex 1 of the FReM as appropriate to their entity."

FAQ 6 NEW - Interaction between Provider Sustainability Fund (PSF) Incentive / Bonus and PDC Dividends

Background

84. As per 2017-18 a Provider Sustainability Fund (PSF) has been made available to NHS providers in 2018-19.

85. Where providers rejected control totals or have failed to meet their financial controls and performance targets throughout 2018-19 the unearned elements of PSF have been placed into a bonus/incentive pot to be allocated out between providers.

86. An element of the bonus calculation is based on the extent to which a provider improves its bottom line over and above the agreed control total. This element will be paid in 2019-20. Therefore, providers entitled to PSF monies will recognise a contract receivable in their year-end 2018-19 accounts. This receivable will increase the value of average net relevant assets upon which the PDC dividend is calculated, thereby increasing the value of PDC dividend expenditure. If no action were taken, this increase in expenditure would erode performance against control totals, thereby reducing the value of PSF receivable due and reducing the PDC dividend payable in perpetuity.

Calculation of PDC dividend with PSF incentive / bonus interaction

87. The Department of Health and Social Care PDC and Dividends Policy sets out how NHS providers should calculate their PDC dividend expense. This is summarised in the Group Accounting Manual (GAM).

88. Paragraph 4.191 of the GAM demonstrates that a PDC dividend receivable or payable is excluded from the calculation of relevant net assets. This is to avoid a circular effect in the calculation. Given that the incentive and bonus elements of the PSF will be paid after the 2018-19 year end, if no action were taken, the associated receivable will change the PDC dividend and this would affect the PSF entitlement calculation itself.

89. To avoid this circular issue, NHS providers must exclude the receivable associated with the PSF incentive and PSF bonus from their calculation of relevant net assets for the purpose of calculating the PDC dividend.

90. Whilst this reflects the same approach as was adopted for 2017-18, this arrangement remains under review in each financial year and thus is not establishing a precedent in relation to the PSF bonus and incentive.

91. If providers have further questions regarding PSF and the PDC dividend, they should contact NHS Improvement in the first instance by email to NHSI sector reporting.

PSF Recognition Update in the GAM

92. PSF per paragraph 4.68 of the GAM is referred to as a contract asset. As only the passage of time is required for the receiving of the consideration, PSF should be recorded as contract receivable. Paragraph 4.68 has been updated to reflect the following;

"At the financial year end, NHS providers will therefore need to recognise a contract receivable for the final quarter, following any guidance issued on 2018-19 arrangements. This must be supported by appropriate and robust evidence to validate the resolution of uncertain events and faithfully represent a genuine change in transaction price as detailed in paragraph 4.65."

PDC Dividend and interaction with prior year calculation error

93. Per paragraph 4.190 of the GAM the PDC dividend payable is not recalculated to take account of any changes in net assets that may be recognised as a result of the audit of the accounts. Likewise, the current year PDC dividend payable will not take account of prior year payable errors subsequently identified. Paragraph 4.190 is therefore updated as follows;

"The Secretary of State requires that NHS providers pay a PDC dividend based on a charge of 3.5% of actual average relevant net assets, including subsidiaries (but not consolidated NHS charities), during the financial year as determined in the draft/unaudited accounts submitted to NHS Improvement. Any difference between the amount of PDC dividend paid, and payable, for the financial year must be recorded as a receivable or payable in the SoFP. Once determined for the draft accounts, the PDC dividend payable is not recalculated to take account of any changes in net assets that may be recognised as a result of the audit of the accounts, or due to payable calculation errors subsequently identified in respect of prior years."

FAQ 7 NEW - Revision to IFRS 9 guidance Chapter 4 Annex 6

Background

94. Paragraphs 4A6.14 and 4A6.15 identify items that are or could be financial assets and liabilities. Some of the items currently identified as financial liabilities could only qualify as financial liabilities in scope of IFRS 9 in very remote or specific circumstances. Items in this category include contract liabilities and pensions liabilities. As the intention of this section of the GAM is to identify general items which are or could be financial liabilities in scope of IFRS 9, paragraph 4A6.15 is updated as follows;

"The following are, or could be, financial liabilities

- other payables
- loans payable
- provisions (where these arise under contract)
- finance leases
- PFI and LIFT liabilities."

FAQ 8 NEW - Update to CCG Reporting Requirements on Change of Status

Background

95. Paragraph 4A9.29 of the GAM details the requirements for CCGs in changing status. NHS England confirm that reporting requirements for mergers reflect those identified in paragraph 4A9.13 of the GAM. As such paragraph 4A9.29 will be updated as follows;

    "CCGs must follow the guidance Procedures for 'Clinical Commissioning Groups to apply for Constitution Change, Merger or Dissolution' which can be found on the NHS England website. When a new CCG entity is formed, it must disclose a comparative SoFP and related notes as at the date of authorisation after recording the initial transfer(s) by absorption from predecessor organisations."

FAQ 9 NEW - General Data Protection Regulation (GDPR) ARA Impact

Background

96. The revised 2018-19 FReM identified the GDPR impact in relation to the disclosure of personal information for remuneration reporting purposes.

97. It is also the case that entities need to consider whether any other personal information disclosed in the annual reports and accounts, should be subject to the GDPR considerations as set out in relation to remuneration reporting in Chapter 3 of the GAM. As such the following paragraphs have been inserted in to the GAM after 2.43.

"General Data Protection Regulation (GDPR)

The provision of advanced notification to individuals affected, by an entity's intent to disclose personal information in the remuneration report section of the annual report, is covered in Chapter 3 of the GAM.

Group bodies should also consider whether any other personal information contained within the annual report and accounts should be subject to the GDPR considerations that are set out in paragraphs 3.41 and 3.42."

FAQ 10 NEW - Remuneration Reporting Update

Background

98. Suggested revisions to remuneration reporting guidance located in Chapter 3 of the GAM were consulted upon as part of the 2019-20 GAM consultation process undertaken between January and February 2019. It was confirmed that on consideration of the responses received to the revised guidance developed in the 2019-20 Manual, the updates would be incorporated into the 2018-19 GAM.

99. With responses overwhelmingly positive this FAQ signposts that Chapter 3 and the supporting annexes of the 2018-19 GAM are updated to reflect the revised remuneration reporting guidance offered. Changes to each relevant section of the GAM are detailed in turn below.

100. Firstly, the main body of the 2018-19 GAM is updated per the following text from paragraph 3.33 onwards;

"Remuneration and staff report

The remuneration and staff report sets out the organisation's remuneration policy for directors and senior managers, reports on how that policy has been implemented and sets out the amounts awarded to directors and senior managers and where relevant the link between performance and remuneration.

In addition, the report provides details on remuneration and staff that users of the accounts see as key to accountability. Group bodies should consider where the inclusion of narrative, to define the scope of the information being disclosed, would assist users in this respect.

'Group' basis of preparation

The remuneration report must disclose information on those persons in senior positions having authority or responsibility for directing or controlling major activities within the group body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.

It is important for individual entities to consider the 'group' basis of the scope governing the above requirement. The Companies Act 2006, Part 15 Chapter 5, confirms the group perspective to be employed for the directors' report. This perspective is equally relevant to the determination as to which senior management influence the entity as a whole.

The chief executive or Accounting/Accountable Officer must be asked to confirm whether this covers more than the executive and non-executive directors (for CCGs – attendees at Governing Body meetings). It is usually considered that the regular attendees of the entity's board meetings are its senior managers.

The 'group' basis of preparation may also have an impact on the nature of the disclosure required regarding the individual's qualifying services as detailed in Chapter 3 Annex 2.

Staff sharing scenarios

For staff-sharing arrangements: the remuneration report must include remuneration details of those senior managers holding a position in the entity, showing the entity's share of the relevant components of remuneration. In addition, the senior manager's total salary (across all organisations they are engaged by) must be shown separately.

Where such additional information is separately presented, entities should carefully consider how best to disclose this detail in a transparent and informative manner, enabling users to effectively hold entities to account.

GDPR considerations

There is a presumption that information about named individuals will be given in all circumstances and all disclosures in the remuneration report will be consistent with identifiable information of those individuals in the financial statements. However, individuals must be advised in advance of the intention to disclose information about them, with an invitation for sight of the intended information to be published and notification that the individual can object under Article 21 of GDPR.

If a member does not agree to disclosure, the entity must consider whether to accept it. Under such circumstances the GDPR requires the entity to demonstrate compelling legitimate grounds for the disclosure which override the interests, rights and freedoms of the member or for the establishment, exercise or defence of legal claims. Entities are strongly advised to take legal advice in such a case, because a decision not to publish may be challenged under the Freedom of Information Act. Where non-disclosure is agreed, the fact that disclosure has been omitted should be disclosed.

Subject to Audit

Certain information is auditable and will be referred to in the audit opinion. The report must be annotated to identify those items that are auditable.

Relationship between the remuneration report and exit packages, severance payments and off-payroll engagements disclosures

In many cases, individuals who fall to be named in the remuneration report will also be included, although not individually identified by name, in the exit packages, non-compulsory departures or off-payroll engagements disclosures. Where this is the case, the remuneration report must provide the details of those agreements or payments on an individual by individual basis in a way that permits the user to cross-reference remuneration report data to that in the wider notes to the accounts.

Remuneration policy

Entities must disclose their policy on the remuneration of directors for the current and future years.

Remuneration of Very Senior Managers (VSMs) – CCGs only

Where one or more senior managers of a CCG are paid more than £150,000 per annum, the remuneration report must explain (not necessarily on an individual basis) the steps the CCG has taken to satisfy itself that this remuneration is reasonable. Pay for a part time senior manager must be compared against a pro rata of £150,000. For this disclosure, ‘pay’ should be considered to be columns (a), (b), (c) and (d) of the ‘single total figure table’ in the remuneration report (see Chapter 3 Annex 2 - Salary and Pension disclosure tables: information subject to audit).

A similar disclosure applies to NHS foundation trusts, set out separately in the ARM 2018-19.

Remuneration Report Tables

The tables for use as part of the remuneration report (the Single Total Figure, and Pension Entitlement tables) are ‘Table 1: Single total figure table’ and ‘Table 2: Pension Benefits’. These are reproduced with further guidance offered in Chapter 3 Annex 2 - Salary and Pension disclosure tables: information subject to audit.

The figures relate to all those individuals who hold or have held office as a senior manager of the DHSC group body (CCGs – member of the Governing Body) during the reporting year or in the prior period.

If seconded into the organisation at no cost to the organisation, disclose the arrangement. It is irrelevant that:

- an individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment), or an individual's title as senior manager included a prefix such as "temporary" or "interim", or

- an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.

In addition, disclose:

- explanation of any significant awards made to past senior managers.

Calculations in the single total figure table (notably in column “e” – all pensions related benefits) may return negative values. Negative figures must not be shown in any columns in the table: a zero must be substituted.

The only exception to this relates to instances of a recovery or withholding of sums in the current financial year, in respect of amounts disclosed in the remuneration report for a previous financial year. In such instances the negative value should be shown in a separate additional column, subtracted from the 'total' column and explanation given in a note to the table.

CCG pension disclosures relating to GPs serving on the Governing Body are discussed in Chapter 3 CCG Appendix 2 – Pension Disclosures, including tables to demonstrate how the pensions disclosure of governing body members should be disclosed.

Compensation on early retirement or for loss of office

If a payment for compensation on early retirement or for loss of office (paid or receivable) has been made under the terms of legislation or an approved Compensation Scheme, the fact that such a payment has been made must be disclosed, including a description of the compensation payment and details of the total amounts paid (the cost to be used must include any top-up to compensation provided by the employer to buy out the actuarial reduction on an individual’s pension).

Payments to past directors

DHSC group bodies must provide details of any payments made to any person who was not a director at the time the payment was made, but who had been a director of the entity previously, unless already disclosed within a previous remuneration report, the current year single total remuneration disclosure or within the disclosure of compensation for early retirement or loss of office. Only payments of regular pension benefits which commenced in previous years and payments in respect of employment for the entity other than as a director may be excluded.

Fair Pay Disclosure

Entities must disclose the following information together with prior year comparatives:

- the median remuneration of the reporting entity's staff (based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at the reporting date)
- the range of staff remuneration
- the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director, and
- an explanation for any significant changes in the ratio between the current and prior years.

NHS organisations must include a narrative highlighting the reasons for any variance in year-on-year multiples. This is because:

- it describes the purpose of including the ratios, and what they mean
- it ensures transparency in executive remuneration
- it allows the public to hold government to account for their use of public funds
- it provides an opportunity for entities to monitor their own remuneration and note any adverse or anomalous trends.

The narrative should be concise and clearly linked to the figures disclosed in the remuneration report, and use terms that are easily understandable by the public. The narrative must be introduced by the following text:

> "Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director / member in their organisation and the median remuneration of the organisation's workforce.
>
> The banded remuneration of the highest paid director / member in [the organisation] in the financial year 201X-1Y was £xx (201W-1X, £xx). This was – times (201W-1X,-) the median remuneration of the workforce, which was £xx (201W-1X, £xx).
>
> In 201X-2Y, xx (201W-1X, xx) employees received remuneration in excess of the highest-paid director / member. Remuneration ranged from £xx to £xx (201W-1X £xx-£xx).
>
> Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions."

It must then be followed by a concise and factual explanation of the changes on either side of the ratio, taking into account where relevant:

- adjustment to the number or composition of the general workforce (for example, through restructuring, downsizing and outsourcing)
- a change to the remuneration of the most highly paid individual. Entities should note that this may not necessarily be an increase to base pay, but a change in taxable expenses or allowances. Where the allowance is temporary (for example, relocation allowance), entities must note this and its likely impact on the pay multiple
- a change of the most highly paid individual (for example, a new appointment, or the previously highest paid post having been vacated and/or eliminated)
- the impact of any pay freeze on the multiple (for example, senior pay freeze that does not affect the majority of staff.)

The above list is not exhaustive and should be treated only as general guidance. It is not intended to act as a checklist of justifications for higher multiples.

Where there is a sharing arrangement, it is cost to the entity of an individual that identifies them as "highest paid" and not the total of that individual's remuneration. Termination benefits must be excluded from the calculation of the highest-paid director's / member's salary to avoid distorting the ratio.

Annex 4 of the FReM cites the Hutton Review of Fair Pay - Implementation Guidance as additional guidance for this disclosure requirement."

101. Secondly, Chapter 3 Annex 2 of the GAM is updated to reflect the following text;

"Chapter 3 Annex 2 - Salary and Pension disclosure tables: information subject to audit

This annex provides a standard layout for the disclosure of salary and pensions paid to staff, which will be subject to audit.

The guidance that follows specifies minimum requirements for disclosure. In all instances entities should consider how additional narrative and presentation can assist users understanding of the disclosure.

Where considered appropriate entities should reference the statutory regulations and guidance that govern the disclosures being made, providing links where specific regulations are referenced.

Salaries and allowances

Table 1: Single total figure table

Name and title	(a) Salary (bands of £5,000) £000	(b) Expense payments (taxable) to nearest £100* £	(c) Performance pay and bonuses (bands of £5,000) £000	(d) Long term performance pay and bonuses (bands of £5,000) £000	(e) All pension-related benefits (bands of £2,500) £000	(f) TOTAL (a to e) (bands of £5,000) £000

*Note: Taxable expenses and benefits in kind are expressed to the nearest £100. The values and bands used to disclose sums in this table are prescribed by the Cabinet Office through Employer Pension Notices and replicated in the HM Treasury Financial Reporting Manual.

Provide comparative information for the prior year.

Disclose, for each individual, payments or compensation for loss of office, and cross-reference this to other disclosures and notes in the accounts (for example, exit packages and non-compulsory departures).

Where more than one individual occupied the same post over the year, details must be disclosed here.

Table 2: Pension Benefits

Name and title	(a) Real increase in pension at pension age (bands of £2,500) £000	(b) Real increase in pension lump sum at pension age (bands of £2,500) £000	(c) Total accrued pension at pension age at 31 March 20xx (bands of £5,000) £000	(d) Lump sum at pension age related to accrued pension at 31 March 20xx (bands of £5,000) £000	(e) Cash Equivalent Transfer Value at 1 April 20xx £000	(f) Real increase in Cash Equivalent Transfer Value £000	(g) Cash Equivalent Transfer Value at 31 March 20xx £000	(h) Employer's contribution to stakeholder pension £000

As non-executive directors do not receive pensionable remuneration, there will be no entries in respect of pensions for non-executive directors.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Content of tables: salaries and allowances

The requirements of Part 3 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 Regulations) are set out below. In the table in paragraph 5 of the schedule, column:

(a) is salary and fees (in bands of £5,000)

(b) is all taxable benefits (total to the nearest £100)

(c) is annual performance-related bonuses (in bands of £5,000)

(d) is long-term performance-related bonuses (in bands of £5,000)

(e) is all pension–related benefits (in bands of £2,500)

(additional columns must also be included for any other items in the nature of remuneration - but excluding payments to former senior managers (see below))

(f) the final column is total of the above items (in bands of £5,000).

Each of the above requirements is described in further detail below.

(a) the total amount of salary and fees paid to or receivable by the person in respect of qualifying services (in bandings of £5,000).

(i) Salary and other remuneration covers both pensionable and non-pensionable amounts. The amounts paid or payable by the entity in respect of the period the senior manager held office must be shown. Where, for example, an individual held a contract of employment for the entire financial year but was only a senior manager for six months, it is the remuneration for six months which must be shown. Where there has been overlap in a post, for example where there have been two finance directors for a month, or where a temporary director has covered another on long term absence, both must be shown, together with the date the post was started or vacated.

(ii) Where the senior manager has been employed under separate contracts for different services for the same entity, it may be useful to note this below the table.

(iii) Qualifying services of a senior manager include duties for the entity that are not part of their management role. Where a senior manager's remuneration includes elements for their management role and another role, for example clinical roles of medical directors and similar staff, the remuneration report must reflect the total remuneration paid by the entity for the individual's services to the entity, including remuneration for duties that are not part of their management role. For transparency, entities must disclose the element of the individual's total remuneration from the entity that relates to their non-managerial role. This disclosure need not include details of the individual components (columns) of the single total figure table if the split between elements is not available in this detail.

(iv) Where the individual receives part of their remuneration from another body, for example a GP providing services as a director at a CCG, the entity must make disclosures only in respect of its share of the individual's remuneration. This is separate and distinct to staff sharing considerations.

(v) Note the requirement relating to staff sharing arrangements in which the total salary for the senior manager across all the organisations they are engaged by, must be separate and distinct disclosure to the salary and fees paid in respect of qualifying services for the entity. Paragraph 48 of Schedule 8 of the 2013 Regulations confirms that where necessary distinctions are required to ensure compliance with the reporting requirements, apportionments of payments can be made as is appropriate.

(vi) Salary includes:

- all amounts paid or payable by the entity including recharges from any other entity
- overtime
- the gross cost of any arrangement whereby a senior manager receives a net amount and an entity pays income tax on their behalf
- any financial loss allowances paid in place of remuneration
- geographical allowances such as London weighting, or other recruitment and retention allowances, and
- any other allowance which is subject to UK taxation and any severance or ex-gratia payments.

(vii) Salary Excludes

- recharges to any other entity
- reimbursement of out-of-pocket expenses
- reimbursement of "travelling and other allowances" (paid under determination order) including home to work travel costs
- taxable benefits
- employers' superannuation and National Insurance contributions
- performance related bonuses (these are recorded separately), and

- any amount paid which the director must subsequently repay.

(b) all taxable benefits (to the nearest £100 and disclosed in £s).

(i) This is the gross value of such benefits before tax. It includes:

- expenses allowances that are subject to UK income tax and paid or payable to the person in respect of qualifying services, and
- benefits received by the person (other than salary) that are emoluments of the person and are received by them in respect of qualifying services.

(ii) A narrative disclosure is required to detail the nature of these benefits. Entities may consider it informative to disclose the footnote to table 1.

(c) annual performance pay and bonuses (in bandings of £5,000)

(i) These comprise money or other assets received or receivable for the financial year as a result of achieving performance measures and targets relating to a period ending in the relevant financial year other than:

- those which result from awards made in a previous financial year and the final vesting is determined as a result of achieving performance measures or targets relating to a period ending in the relevant financial year, and
- those which are receivable subject to the achievement of performance measures or targets in a future financial year.

(ii) Where an amount included in column (c) is for a deferred bonus, the amount and percentage of such deferral must be disclosed in a note accompanying the table.

(d) long-term performance pay and bonuses (in bandings of £5,000).

(i) These comprise money or other assets received or receivable for periods of more than one year where final vesting:

- is determined as a result of achieving performance measures or targets relating to a period ending in the relevant financial year, and
- is not subject to the achievement of performance measures or targets in a future financial year.

(ii) For both columns (c) and (d), where the performance measures or targets are substantially (but not fully) completed by the end of the financial year, the amount shown in the table may include sums which relate to the following financial year but this must be explained in the report. In the following year's report, the amount must not be included as remuneration for that year.

(iii) For every component of remuneration included in columns (c) or (d), a note accompanying the table must disclose:

- details of any performance measures and the relative weighting of each;
- for each performance measure:
  - the performance targets set at the beginning of the performance period and the corresponding value of bonus achievable, and
  - details of actual performance against the targets set and measured over the performance period and the resulting bonus awarded.
- where discretion has been exercised in the award, details of how the discretion was exercised and how the resulting bonus was determined.

(iv) Compiling the above detail for all remuneration regarding performance pay and bonuses will assist entities in determining whether the sums should be disclosed in column (c) or column (d).

(e) all pension-related benefits (in bandings of £2,500), including:

- the cash value of payments (whether in cash or otherwise) in lieu of retirement benefits, and
- all benefits in year from participating in pension schemes. These are the aggregate input amounts, calculated using the method set out in section 229 of the Finance Act 2004. Paragraph 10(1)(e)(ii)(cc) of schedule 8 of SI 2013 No.1981, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (update to the Finance Act 2004) requires the exclusion of any employee contributions from the figure arrived at to reach the amount which must be disclosed.

(i) This figure will include those benefits accruing to senior management from membership of the NHS Pension Scheme which is a defined benefit scheme (although accounted for by NHS bodies as if it were a defined contribution scheme). It is to be disclosed in £2,500 bands following the calculation expressed as follows:

	The real increase* in pensions multiplied by 20
Plus	The real increase* in any lump sum
Less	Contributions made by the individual
Equals	Accrued pension benefits
*The real increase is the difference between the annual rate of pensions payable to the director at the end of the financial year and the rate payable at the start of the year. It excludes increase due to inflation/ decreases due to transfer of pension rights.	

(ii) The information will be provided by the pension scheme the director is a member of, as part of the Greenbury disclosure requirements. Employee contributions for the year are deducted in the calculation above.

(iii) Annex D of the NHS Business Services Authority guidance on the Disclosure of Senior Managers Remuneration (Greenbury) 2019 provides further detail regarding the context and calculation to be made by entities, as well as a worked example to assist preparers.

(iv) Specific consideration should be given to the provision of additional narrative to explain how the figure in column (e) is calculated, what the figure signifies and offering high level explanation as to significant variations between senior managers in year or between years for the same individual, if this is considered to be informative.

(v) As such the following is recommended to be disclosed;

"The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less, the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide.

The pension benefit table provides further information on the pension benefits accruing to the individual."

(vi) Further to the above, entities considering it informative to expand upon the reasons as to why significant variation is found between pension related benefits calculated, may wish to insert a paragraph similar to the following but including only pertinent factors for their entity;

"Factors determining the variation in the values recorded between individuals include but is not limited to:

A change in role with a resulting change in pay and impact on pension benefits

A change in the pension scheme itself

Changes in the contribution rates

Changes in the wider remuneration package of an individual."

(f) the total of the values disclosed in columns (a) to (e) (in bandings of £5,000).

(i) This is expressed in bandings of £5,000 to be consistent with the salary and performance pay bandings.

Complex arrangements

In line with the introduction to this Chapter, Part 1 of Schedule 8 of the 2013 regulations, paragraph 2 (2) confirms that the provisions of the Schedule;

- do not prevent entities setting out additional information as is considered appropriate and,
- allow any items to be shown in greater detail.

Specific consideration of these points should be made where complex arrangements exist.

Content of tables: pensions

Total pension entitlement. For each senior manager, Companies Act regulations require disclosure of:

- the pension entitlement at the end of the year: this requirement is met by the completion of the “pensions” table, the contents of which are described below
- a description of additional benefits that will become receivable by the individual in the event that they retire early, and
- separate disclosures where the individual is a member of more than one scheme.

Pension entitlements: The information required in FReM 5.3.22 must be disclosed as follows:

(a) the real increase during the reporting year in the pension at pension age in bands of £2,500

(b) the real increase during the reporting year in the pension related lump sum at pension age in bands of £2,500

(c) the value at the end of the reporting year of the pension at pension age in bands of £5,000

(d) the value at the end of the reporting year of the pension related lump sum at pension age in bands of £5,000

(e) the value of the cash equivalent transfer value at the beginning of the reporting period to the nearest £1,000

(f) the real increase in the cash equivalent transfer value at the end of the reporting period to the nearest £1,000, and

(g) the value of the cash equivalent transfer value at the end of the reporting period to the nearest £1,000

(h) in the case of a stakeholder pension account, the employer’s contribution (the bulleted disclosures above will not apply).

Payments for loss of office

For each individual who was a senior manager in the current or in a previous financial year, that has received a payment for loss of office during the financial year, the following must be disclosed:

- the total amount payable to the individual, broken down into each component
- an explanation of how each component was calculated
- any other payments to the individual in connection with the termination of services as a senior manager, including outstanding long-term bonuses that vest on or following termination, and
- where any discretion was exercised in respect of the payment, an explanation of how it was exercised.

Payments to past senior managers

The report must contain details of any payments of money or other assets to any individual who was not a senior manager during the financial year but has previously been a senior manager at any time. The following payments do not need to be reported in this disclosure:

- payments for loss of office (which are separately reported above)
- payments that are otherwise shown in the single total figure table
- payments that have already been disclosed by the entity in a previous remuneration report
- payments for regular pension benefits that commenced in a previous year, and
- payments for employment or services provided by the individual other than as a senior manager of the entity.

NHS Business Services Authority (NHS BSA) Greenbury Guidance

The revised NHS BSA guidance concerning Disclosure of Senior Managers Remuneration (Greenbury) 2019 offers significant detail and worked examples assisting entities with the derivation of the values for each column.

The guidance makes specific reference to examples of deriving the appropriate values for senior managers only in post part year.

Discussion with auditors regarding remuneration reporting

Entities should note paragraph 49, Schedule 8 of the 2013 Regulations which requires information to be disclosed only so far as it is contained in the entity's books and papers, available to members of the public, or the entity has a right to obtain it. It is advisable that entities establish these expectations with auditors early in the engagement. This is particularly necessary where changes and or additions are being considered in relation to disclosures subject to audit."

102. Finally, Chapter 3 Annex 4 has also been supplemented with the following text after paragraph 3A4.4 as follows;

"The cross government Tax Centre of Excellence (TCoE) has similarly offered guidance on common themes and offer links to additional Cabinet Office and HMRC guidance. This guidance is accessible to all on the TCoE website."

FAQ 11 NEW - Update to Laying ARA Guidance

Background

103. The DHSC laying guidance referenced in Chapter 2 Annex 5 of the GAM has been updated to reflect revised requirements. This update does not impact any of the detail offered in the GAM itself.

104. The revised guidance can be found on the DHSC Manual collection page on gov.uk.

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