



Financial Reporting Advisory Board Paper

Department of Health and Social Care Group Accounting Manual 2019-20

Issue:	This paper provides an update on plans to publish the 2019-20 Department of Health and Social Care Group Accounting Manual and presents a first draft. This is in advance of consultation on the Manual.
Impact on guidance:	The Manual supplements the FReM for the DHSC Group
IAS/IFRS adaptation?	The Manual follows the adaptations and interpretations in the FReM
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	The Manual follows the adaptations and interpretations in the FReM
Impact on budgetary regime?	N/A
Alignment with National Accounts	N/A
Impact on Estimates?	N/A
Recommendation:	FRAB is asked to note the proposed timetable for review, consultation and publication of the Manual and approve the current draft of the DHSC Group Accounting Manual for consultation.
Timing:	2019-20

DETAIL

Background

1. The Department of Health and Social Care's Group Accounting Manual (GAM) for 2018-19 was approved by FRAB and published in April 2018. The 2019-20 Manual is being prepared to a similar timetable.
2. The main change for 2019-20 relates to the adoption of IFRS 16 *Leases*, changes for which will be subsequently removed if deferral of implementation is ratified by FRAB members. In such an instance references to IAS 17 will be re-instated to the GAM as aligned to the 2018-19 GAM and a paragraph in Chapter 4 will confirm a one year deferral has been taken for those entities that directly follow the FReM.
3. Other changes include the incorporation of HM Treasury's current guidance on the use of nominal discount rates and more minor changes such as the inclusion of trade union facility time disclosure requirements and other FReM amendments proposed for 2018-19 that need to be reflected in the 2019-20 GAM.
4. DHSC has worked with HM Treasury as part of its technical working group on IFRS 16, contributing to the development of interpretations and adaptations for the Financial Reporting Manual (FReM) and has similarly liaised with HM Treasury colleagues regarding the development of the discount rate guidance and in discussing wider changes to the FReM being considered.
5. The distribution of the GAM has preceded finalisation of the FReM. This move has been taken in the interest of providing FRAB members greater time to consider the contents of the Manual. As such final adjustments made to the FReM may not be reflected in this version of the GAM. Therefore, on receipt of the finalised FReM amendments post FRAB, DHSC will make the appropriate amendments to the version of the GAM to be consulted upon, ensuring it is appropriately aligned to the FReM.

Purpose of this paper

6. This paper describes the changes incorporated into the 2019-20 Manual, sets out the remaining timetable for publication, and presents a first draft.

IFRS 16 – Leases

7. A full review of the text of the Manual has been undertaken, replacing references to the previous standard, IAS 17, amending accounting, presentation and disclosure requirements as necessary.
8. In particular, paragraphs 4.151 to 4.160 deal with the basic principles of accounting for under IFRS 16, including the interpretations and adaptations as currently set out for the 2019-20 FReM. These interpretations and adaptations are also summarised as part of Chapter 4 Annex 1. More detailed implementation guidance has been developed in Chapter 4 Annex 11. The example accounting policies for leases in Chapter 5 Annex 1 have also been extensively amended.
9. Chapter 4 Annex 11 has been drafted in reflection of the current draft of HM treasury's implementation guidance, the supporting appendices accompanying the Standard and from ongoing conversations with entities within the DHSC group. Further enhancement of this principle based guidance is expected to be requested through the consultation process, if deferral of the Standard is not announced. As such DHSC is working to develop illustrative examples to assist practitioners in applying the guidance offered in the FReM, accompanying implementation

guidance, GAM and the Standard. Such enhancements will be inserted into the post consultation version of the GAM FRAB will consider.

10. Given the material figures reported via the Department's future commitments for operating lease payments, the Standard will generate a material impact for the Group and its reporting systems and thus we are keen to ensure that significant levels of sector specific guidance are offered to assist entities with the eventual transition to IFRS 16.

11. The action as described in paragraph 2 of this paper will be taken on ratification of the one year deferral by FRAB. The Department is not considering early adoption. The Department's accounting boundary contains a number of limited companies who will be required to apply IFRS 16 (such as NHS Property Services, Community Health Partnerships, Supply Chain Co-ordination Ltd) in their individual statutory accounts. Whilst NHS Property Services is material in relation to the Department's leasing arrangements, it does not meet all of the early adoption criteria.

Nominal Discount Rate Application Guidance

12. The 2019-20 GAM incorporates the current draft of the application guidance surrounding the move to nominal rates for discounting general provisions and leases. Chapter 4 Annex 7 of the GAM will be finalised in light of the complete guidance being published alongside the appropriate PES paper, with the necessary discount rates being updated in a revised version of the 2018-19 Manual.

Financial Reporting Manual changes

13. This draft of the Manual has been amended where necessary to reflect amended text in the revised FReM shared by HM Treasury colleagues late October. These amendments will be reviewed against the final versions of the appropriate HM Treasury texts, due to be published in December 2018.

14. FRAB may wish to note in regards to the proposed discretion to early adopt the revised *Conceptual Framework* being offered per the FReM, the GAM is prohibiting early adoption, so as to ensure consistency of approach within the DHSC Group. Given the discretion to adopt or otherwise, we do not view this as a divergence between the FReM and the GAM.

15. As per the above DHSC will also incorporate these amendments in the revised version of its 2018-19 Manual in December 2018.

Remuneration Reporting Guidance Enhancement

16. A change that is flagged in the Manual's summary of changes section on page 11 but is currently outstanding relates to the enhancement of the Manual's guidance offered to practitioners on remuneration reporting requirements.

17. A remuneration reporting working group has been established to act as a forum for informed colleagues from across the Group, to consider how the current guidance offered both in the GAM and operationally around the Group can be strengthened.

18. Enhancements made to the guidance governing this reporting are expected to be agreed post consultation, featuring in the final version of the GAM, FRAB will sign off. Improving the clarity of remuneration reporting guidance is a consistent message returned through the consultations held on the Manual, as well as via audit feedback, due to the complex scenarios that take hold within the Group.

19. FRAB will have the opportunity to consider any of the proposed amendments to the Manual in this respect through the sub-committee consideration of the GAM prior to publication

Other changes

20. The above and other less significant changes are listed in the Summary of Changes on page 11 of the draft Manual, which includes the insertion of guidance around meeting trade union facility time disclosure requirements.

Timetable

21. The high-level timetable for publication of the 2019-20 Manual is set out at Annex A.

22. Following presentation of the first draft to FRAB in November, the Manual will be updated to reflect any final changes in the FReM. A consultation with the user community will then follow. As this is an open consultation process held on citizen space in order to align with digital best practice, FRAB members are welcome to offer further comments through this vehicle. The final version of the Manual will then be submitted for FRAB approval in April, allowing publication at the end of April 2019.

Next Steps

23. Following presentation of this first draft to FRAB, DHSC proposes to prepare a version for consultation with stakeholders, during January and February 2019.

24. Upon completion of this consultation, DHSC will prepare a final version of the Manual for approval by FRAB in April 2019. In common with the approach taken in previous years, we request that a sub-committee of FRAB reviews and approves the finalised Manual as an out-of-meeting paper.

25. Subject to approval, we propose to publish the 2019-20 Manual at the end of April 2019.

DHSC Group Accounting Manual 2019-20

26. The draft 2019-20 Manual is presented at Annex B.

Recommendation

27. FRAB is asked to:

- note the proposed timetable for publication,
- approve the draft DHSC Group Accounting Manual 2019-20 for consultation,
- agree to the establishment of a sub-group to give final sign-off.

Annex A: Timetable for publication of the 2019-20 DH Group Accounting Manual

01 Nov 18	Draft 2019-20 GAM sent to HM Treasury
22 Nov 18	Draft 2019-20 GAM presented to FRAB
Dec 18	2018-19 FReM published
Jan - Feb 19	Consultation with user community on draft GAM
Mar 19	Post-consultation amendments
29 Mar 19	GAM submitted to FRAB for approval
12 Apr 19	FRAB provide approval/comments
29 Apr 19	Final 2018-19 GAM published

Annex B: Department of Health and Social Care Group Accounting Manual 2019-20 v 1.00

See separate document.

Annex C: Group Accounting Manual Change Log 2019-20 v1

See separate excel document. This document identifies the various changes made to the 2019-20 GAM from the version the FRAB sub-committee considered prior to initial publication at the end of April 2018.

22nd November 2018