



Department
of Health &
Social Care

Department of Health and Social Care

Group Accounting Manual 2020-21: Consultation Exercise

Published 24 January 2020

Contents

1. Overview	3
2020-21 consultation	4
Principal changes proposed in the draft GAM	4
How to respond	4
2. Adoption of IFRS 16 Leases	5
3. Changes to the content of the annual report stemming from the 2020-21 FReM.....	7
4. Other changes to the 2020-21 GAM.....	9
5. Amendments to IFRS effective for 2020-21	10
6. Summary of consultation questions.....	12
7. Responding to the consultation	14

1. Overview

- 1.1 All bodies within the Department of Health and Social Care accounting boundary (DHSC group bodies) must publish annual reports and accounts. Clear and transparent reporting helps the entity, as well as the users of the entity's annual report and accounts, understand and scrutinise the year's operations and outcomes.
- 1.2 DHSC (and Monitor as the regulator for NHS foundation trusts, operating as NHS Improvement (NHSI)) has powers to direct the form in which the annual report and accounts should be prepared, the information that should be included, and the methods and principles that should be followed in their preparation. In determining the form and content of the accounts we must, by statute, aim to ensure the accounts present a true and fair view.
- 1.3 In order to achieve this, the department issues a group wide annual report and accounting manual every year, the Group Accounting Manual (GAM), containing the requirements DHSC group bodies need to follow when preparing their annual reports and accounts. Additionally, NHSI separately publishes the annual reporting requirements for NHS foundation trusts via the NHS foundation trust annual reporting manual (FT ARM). The FT ARM contains the formal accounts direction but foundation trusts will follow the GAM for accounts requirements.
- 1.4 The GAM requires DHSC group bodies to follow the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, interpreted and adapted by the HM Treasury Financial Reporting Manual (FReM). Therefore, the GAM only includes detailed accounting guidance where DHSC group bodies are:
 - required to depart from IFRS or the FReM
 - required to make specific disclosures in addition to IFRS and the FReM, or
 - faced with particular circumstances that IFRS or the FReM do not address.
- 1.5 Updates to the GAM follow the same principle and, on that basis, are required where IFRS or the FReM have changed, or when DHSC group bodies are required to make specific extra disclosures.
- 1.6 Some content for 2020-21 is not yet available, such as HM Treasury discount rates. The draft GAM indicates where this is the case, and the manual will be revised later in the year once this content is known. The additional guidance

document initially published alongside the December 2020 revision of the 2020-21 GAM will signpost the changes made within the manual.

2020-21 consultation

- 1.7 This consultation relates to the draft GAM for 2020-21. The documents being consulted upon can be found on the [DHSC Group Accounting Manual collection](#) page on gov.uk.
- 1.8 The consultation period will run from 24 January 2020 until 21 February 2020.
- 1.9 The 2020-21 GAM will be published in April 2020, once we have considered consultation responses and further refined the guidance offered in the GAM.
- 1.10 Post consultation changes will be made in collaboration with the relevant sector finance leads. The publication of the GAM is subject to approval by the Financial Reporting Advisory Board (FRAB).

Principal changes proposed in the draft GAM

- 1.11 There are significant changes to both the accounting and reporting requirements for the 2020-21 financial year.
- 1.12 Changes to the GAM are therefore focussed on providing clarity regarding the implications of these changes.
- 1.13 This document summarises the principal changes introduced in the draft GAM.

How to respond

- 1.14 Please submit your responses by 21 February 2020 at the link to the online portal provided below:

<https://dhsc.surveyoptic.com/Group-Accounting-Manual-2020>

2. Adoption of IFRS 16 Leases

- 2.1 IFRS 16, Leases, is set to supersede IAS 17, Leases, SIC 15, Operating Leases – Incentives, SIC 27, Evaluation the Substance of Transactions Involving the Legal Form of a Lease, and IFRIC 4, Determining whether an Arrangement contains a Lease, across the public sector from 1 April 2020.
- 2.2 The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.
- 2.3 Specific consultation regarding the adoption of the Standard by HM Treasury took place in previous financial years. DHSC group wide consultations coincided with the IFRS 16 Exposure Drafts published by HM Treasury.
- 2.4 Given the material nature of leasing arrangements entered in to across the DHSC Group, across the public sector more widely and due to adoption by entities who report following EU adopted IFRS in accordance with the Companies Act 2006 (CA 2006), for their individual statutory accounts, IFRS 16 application guidance has already been published by HM Treasury, DHSC and NHS England and Improvement. Each piece of guidance has been updated throughout the 2019-20 financial year. These are referenced in the 'Further Guidance' section of Chapter 4 Annex 11 of the draft 2020-21 GAM.
- 2.5 As part of the 2019-20 GAM consultation DHSC consulted on an 'IFRS 16 Supplement'. This supplement served to give group bodies an early indication of the level of guidance intended to be offered on application of IFRS 16 by the DHSC Group, as well as indication of specific accounting policies to be employed by the DHSC Group. The latest version of the supplement was published as part of an [IFRS 16 implementation guidance](#) publication on 3 December 2019.
- 2.6 This supplement, with revisions to reflect the most recent updates to HM Treasury guidance on 19 December 2019, has now been incorporated into the draft 2020-21 GAM currently being consulted upon.
- 2.7 The draft 2020-21 GAM has been revised and supplemented in various areas accordingly. This includes;
- Chapter 2 paragraph 2.43
 - Chapter 4, principally paragraphs 4.73 to 4.77, 4.153 to 4.162 and 4.197 to 4.199
 - Minor clarifications offered in Chapter 4 Annex 5

- Inclusion of the HM Treasury incremental borrowing rate in Chapter 4 Annex 7
- The provision of a new annex, Chapter 4 Annex 11
- Chapter 5 principally paragraph 5.156, with minor clarifications to 5.157 to 5.166 , and,
- Chapter 5 Annex 1.

2.8 This consultation represents the final opportunity to comment on the DHSC Group approach to IFRS 16, prior to formal publication of the 2020-21 GAM in April 2020.

2.9 The IFRS 16 guidance held in the 2020-21 draft GAM details accounting policy approaches to be taken in implementing IFRS 16, as well as providing general guidance around the key judgements that need to be made by each entity either as a lessee, lessor or intermediate lessor and in consideration of disclosure requirements. As such, separate consultation questions enable entities to consider the differing aspects of IFRS 16 guidance in turn.

Consultation questions on the IFRS 16 GAM guidance

Do you have any comments regarding the HM Treasury interpretations and adaptations for IFRS 16?

Do you have any comments regarding the guidance offered in the Group Accounting Manual for entities acting as a lessee under IFRS 16?

Do you agree or disagree with the accounting policy approach mandated in the Group Accounting Manual in which DHSC Group bodies must adopt and exercise a low value lease exemption threshold of £5,000?

Do you agree or disagree with the accounting policy approach mandated in the Group Accounting Manual of not applying IFRS 16 to other intangible assets not covered by paragraph 3 (e) of the Standard?

Do you have any comments regarding the guidance offered in the Group Accounting Manual for entities acting as a lessor or intermediary lessor under IFRS 16?

Do you have any comments regarding the guidance offered in the Group Accounting Manual concerning disclosure requirements under IFRS 16?

Do you have any further comments regarding IFRS 16 application described in the Group Accounting Manual?

3. Changes to the content of the annual report stemming from the 2020-21 FReM

- 3.1 The 2020-21 FReM underwent significant revision in implementation of HM Treasury commitments made via [The Government Financial Reporting Review](#). This review stemmed from insights offered by the Public Administration and Constitutional Affairs Committee's (PACAC's) Accounting for Democracy reports.
- 3.2 As well as improving the usability and accessibility of the document, confirming the expected principles, practices and hierarchies to follow in relation to financial reporting, HM Treasury has also clarified, enhanced and introduced a number of reporting and disclosure requirements to ensure public sector annual reports and accounts meet the stated purposes of government financial reporting.
- 3.3 The Department has engaged with HM Treasury throughout the review process being a member of the Government Financial Reporting Review Departmental Sub-group and the 2020-21 FReM Working Group, as well as commenting on the review process and revised FReM as a member of the Financial Reporting Advisory Board and as part of the formal consultation HM Treasury held on the draft 2020-21 FReM that closed 25 October 2019. DHSC also separately consulted with the DHSC Group on the 2020-21 FReM to help inform the DHSC Group response submitted to HM Treasury.
- 3.4 The changes to the [2020-21 FReM](#) impacting on the GAM relate to where annual report disclosure requirements have been clarified, enhanced and or introduced. These have been incorporated into the standing guidance provided in Chapter 3 of the GAM. It is important to note that Chapter 3 of the GAM is relevant to all DHSC group bodies except NHS foundation trusts, who must instead refer to the 2020-21 FT ARM.
- 3.5 An example of a disclosure requirement introduced to the GAM due to the 2020-21 FReM (Chapter 6 paragraph 6.5.16 (e) of the FReM) is the new staff turnover disclosure, detailed in the staff report section of Chapter 3, paragraph 3.71 (e) of the GAM.
- 3.6 An example of an enhanced disclosure requirement introduced to the GAM due to the 2020-21 FReM (Chapter 5 paragraph 5.4.4 (b) of the FReM) is the added emphasis on the provision of detail regarding the risk profile of the entity through the performance analysis in Chapter 3 paragraph 3.21 of the GAM.

- 3.7 Consultation questions are posed to enable entities to both comment on specific elements of the revisions made to annual report disclosure requirements and comment more generally on the guidance offered around the content of annual reports

Consultation questions on the content of the annual report stemming from the 2020-21 FReM

Do you have any comments on the changes made to the guidance relating to the Performance Report in Chapter 3 of the Group Accounting Manual?

Do you have any comments on the changes made to the guidance relating to the Governance statement in Chapter 3 of the Group Accounting Manual?

Do you have any comments regarding the guidance provided in relation to the staff turnover disclosure requirement in Chapter 3 of the Group Accounting Manual?

Do you have any comments regarding the guidance provided for the provision of staff engagement indicators in Chapter 3 of the Group Accounting Manual?

Do you have any further comments in relation to Chapter 3 of the GAM?

4. Other changes to the 2020-21 GAM

4.1 Changes have been made to the draft GAM that users should note:

- The GAM reflects the revisions being made to the financial architecture of the DHSC Group through implementation of the long term plan. As such the paragraphs relating to the provider sustainability fund and commissioner sustainability fund have been removed and replaced with detail pertaining to how the financial recovery fund will operate.
- The signposting of minor updates becoming effective in 2020-21 in relation to the revised definition of materiality in IAS 1 and IAS 8 and the revised Conceptual Framework issued by the IASB in 2018.

Consultation questions on other changes made to the GAM

Do you have any comments on other changes made to the Group Accounting Manual?

Do you have any other general comments on the draft Group Accounting Manual?

5. Amendments to IFRS effective for 2020-21

- 5.1 There are various minor amendments to IFRS, effective from 1 January 2020, for which it has been assessed no specific interpretation is required for the DHSC group.
- 5.2 Consequently either no amendments or very minor amendments have been made in the GAM. Minor amendments were identified in section 4 bullet two of this consultation document.
- 5.3 The amendments effective for the 2020-21 financial year, are summarised in the table below:

Amendments to IFRS standards effective 1 January 2020

Amendment to Standard	Summary of Changes
Conceptual Framework for Financial Reporting	The framework updated and approved by the IASB in March 2018 introduces, re-introduces and revises various concepts preparers need to consider in the determination of preparation, presentation and accounting policy approach to transactions and arrangements within the financial statements and accompanying notes. There are also amended references to the Conceptual Framework in the relevant standards which reference the framework.
IFRS 3, Business Combinations	Amendment is made to the definition of a business to assist in the determination as to whether an acquisition relates to the transfer of assets or a genuine business. Additional emphasis is given to the fact that a business will provide a service or generates a form of income. This will only be relevant where entities have to apply IFRS 3 in full. The FReM and consequently the GAM do not revise the definition of a function used to identify where a transfer of function is taking place between entities under common control, i.e. within the public sector.
IAS 1 and IAS 8	The definition of material has been revised.

Consultation question on amendments effective for 2020-21

Do you consider any of the IFRS amendments effective for 2020-21 as requiring any further explanation in the Group Accounting Manual?

6. Summary of consultation questions

1. Do you have any comments regarding the HM Treasury interpretations and adaptations for IFRS 16?
2. Do you have any comments regarding the guidance offered in the Group Accounting Manual for entities acting as a lessee under IFRS 16?
3. Do you agree or disagree with the accounting policy approach mandated in the Group Accounting Manual in which DHSC Group bodies must adopt and exercise a low value lease exemption threshold of £5,000?
4. Do you agree or disagree with the accounting policy approach mandated in the Group Accounting Manual of not applying IFRS 16 to other intangible assets not covered by paragraph 3 (e) of the Standard?
5. Do you have any comments regarding the guidance offered in the Group Accounting Manual for entities acting as a lessor or intermediary lessor under IFRS 16?
6. Do you have any comments regarding the guidance offered in the Group Accounting Manual concerning disclosure requirements under IFRS 16?
7. Do you have any further comments regarding IFRS 16 application described in the Group Accounting Manual?
8. Do you have any comments on the changes made to the guidance relating to the Performance Report in Chapter 3 of the Group Accounting Manual?
9. Do you have any comments on the changes made to the guidance relating to the Governance statement in Chapter 3 of the Group Accounting Manual?
10. Do you have any comments regarding the guidance provided in relation to the staff turnover disclosure requirement in Chapter 3 of the Group Accounting Manual?
11. Do you have any comments regarding the guidance provided for the provision of staff engagement indicators in Chapter 3 of the Group Accounting Manual?
12. Do you have any further comments in relation to Chapter 3 of the GAM?
13. Do you have any comments on other changes made to the Group Accounting Manual?
14. Do you have any other general comments on the draft Group Accounting Manual?

15. Do you consider any of the IFRS amendments effective for 2020-21 as requiring any further explanation in the Group Accounting Manual?

7. Responding to the consultation

7.1 We are keen to receive your views. The draft GAM and consultation document is published on the [Department of Health and Social Care group accounting manuals collection on GOV.UK](#).

7.2 In line with digital best practice the consultation has been launched online. A link to the consultation is provided along with the draft documents on gov.uk and for convenience a link is also provided below:

<https://dhsc.surveyoptic.com/Group-Accounting-Manual-2020>

7.3 If you have any questions regarding the consultation or its contents, please liaise with your sector leads in the first instance. The sector lead can be contacted via the appropriate link below:

[NHS Providers](#)

[NHS Commissioners](#)

[Other ALBs](#)

[Audit Firms](#)

7.4 Consultation responses must be submitted by the closing date of 21 February 2020.

© Crown copyright 2020

Published to GOV.UK in pdf format only.

Finance and Operations, Finance and Group Operations

www.gov.uk/dhsc

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

