Department of Health & Social Care

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

Additional Guidance version 3

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Contents

Introduction

1. The 'Department of Health and Social Care Group Accounting Manual 2019-20 (GAM)' was published in May 2019. 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' 2019-20 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 2019-20 will be contained within a single document.

5. This is the third version of additional guidance to be published for the 2019-20 GAM, with an update to the 2019-20 GAM published in December 2019 and version two published in March 2020.

6. Where additional FAQs have arisen since version 1 of this guidance, their title is supplemented with the term 'NEW'. Where an FAQ has been updated since version 1 of the guidance the title is supplemented with the term 'UPDATED'

FAQ 1 - Changes in Discount Rates at 31 March 2020

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 (2019) 11 Discount Rates for General Provisions, Post-Employment Benefits, Financial Instruments and Leases (Under IFRS 16)' was issued on 6 December 2019.

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.

Summary of discount rates to be applied as at 31 March 2020

10. The discount rates to be applied as at 31 March 2020 for general provisions, post-employment benefits and financial instruments are summarised below.

Rate Type	Rate	Prior Year Rate
Nominal General Provision Discount Rates		
Short-term	0.51%	0.76%
Medium-term	0.55%	1.14%
Long-term	1.99%	1.99%
Very long-term	1.99%	1.99%
General Provisions Inflation Rates		
Year 1	1.90%	2.00%
Year 2	2.00%	2.00%
Into perpetuity	2.00%	2.10%
Post-Employment Benefits Discount Rate		
Real Rate	Minus 0.50%	0.29%
Nominal Rate	1.80%	2.90%

RPI Inflation	3.35%	3.60%
CPI Inflation	2.35%	2.60%
Financial Instrument Discount Rate		
Real Rate	0.7%	0.7%
Nominal Rate	3.7%	3.7%

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

General provisions

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

13. 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.

14. 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

15. The central inflation assumptions offered on page 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).

16. 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.

17. 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.

18. 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.

19. 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.

20. The below table is an excerpt from Annex C of PES (2019) 11 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	1.9%	101.9%	0.51%	101.38%
2	2.0%	103.9%	0.51%	102.88%
3	2.0%	106.0%	0.51%	104.40%
4	2.0%	108.1%	0.51%	105.95%
5	2.0%	110.3%	0.51%	107.51%
6	2.0%	112.5%	0.55%	108.87%
7	2.0%	114.8%	0.55%	110.44%
8	2.0%	117.1%	0.55%	112.04%
9	2.0%	119.4%	0.55%	113.65%
10	2.0%	121.8%	0.55%	115.29%
11	2.0%	124.2%	1.99%	99.96%
12	2.0%	126.7%	1.99%	99.97%
13	2.0%	129.2%	1.99%	99.97%
14	2.0%	131.8%	1.99%	99.98%
15	2.0%	134.5%	1.99%	99.98%
16	2.0%	137.1%	1.99%	99.99%
17	2.0%	139.9%	1.99%	99.99%

18	2.0%	142.7%	1.99%	100.00%
19	2.0%	145.5%	1.99%	100.00%
20	2.0%	148.4%	1.99%	100.01%
21	2.0%	151.4%	1.99%	100.01%
22	2.0%	154.4%	1.99%	100.02%
23	2.0%	157.5%	1.99%	100.02%
24	2.0%	160.7%	1.99%	100.03%
25	2.0%	163.9%	1.99%	100.03%
26	2.0%	167.2%	1.99%	100.04%
27	2.0%	170.5%	1.99%	100.04%
28	2.0%	173.9%	1.99%	100.05%
29	2.0%	177.4%	1.99%	100.05%
30	2.0%	181.0%	1.99%	100.06%
31	2.0%	184.6%	1.99%	100.07%
32	2.0%	188.3%	1.99%	100.07%
33	2.0%	192.0%	1.99%	100.08%
34	2.0%	195.9%	1.99%	100.08%
35	2.0%	199.8%	1.99%	100.09%
36	2.0%	203.8%	1.99%	100.09%
37	2.0%	207.9%	1.99%	100.10%
38	2.0%	212.0%	1.99%	100.10%
39	2.0%	216.3%	1.99%	100.11%
40	2.0%	220.6%	1.99%	100.11%
41	2.0%	225.0%	1.99%	100.12%
42	2.0%	229.5%	1.99%	100.12%
43	2.0%	234.1%	1.99%	100.13%
44	2.0%	238.8%	1.99%	100.13%

45	2.0%	243.5%	1.99%	100.14%
46	2.0%	248.4%	1.99%	100.14%
47	2.0%	253.4%	1.99%	100.15%
48	2.0%	258.5%	1.99%	100.16%
49	2.0%	263.6%	1.99%	100.16%
50	2.0%	268.9%	1.99%	100.17%

Post-employment benefits provisions

21. The real discount rate applicable on 31 March 2020 is minus 0.50% (the previous year's rate was positive 0.29%).

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

Financial instruments

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

24. 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."

25. The real financial instrument discount rate to be applied at 31 March 2020 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.

Leases

26. For group entities such as limited companies, that prepare statutory accounts following EU adopted IFRS in accordance with the Companies Act 2006, IFRS 16 is effective for the 2019-20 financial year.

27. PES (2019) 11 confirms that the HM Treasury incremental borrowing rate (a nominal rate) of 1.99% is to be applied as appropriate to leases transitioning to IFRS 16 prior to January 2020 and for leases commencing in the 2019 calendar year under IFRS 16.

For leases commencing in the 2020 calendar year under IFRS 16, the incremental borrowing rate is 1.27%. As the DHSC Group account is following IAS 17 for 2019-20, the leasing rates will not be replicated in the 2019-20 GAM.

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

Background

28. Paragraphs 4.52 – 4.57 of the GAM describe the treatment of Injury Costs Recovery (ICR) revenue.

29. 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.

30. The updated figure for 2019-20 is 21.79%. By issue of this FAQ, paragraphs 4.56 – 4.57 of the GAM are amended to reflect this figure.

GAM application

31. If it is material, 21.79% 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.

32. 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 2019-20 GAM

Background

33. This FAQ collates various clarifications required to update the 2019-20 GAM.

Maternity Incentive Scheme (MIS) post year of implementation

34. The MIS was introduced in 2018-19. Therefore the detail introducing MIS is no longer required.

35. By issue of this FAQ, MIS will be introduced in the 2019-20 GAM via the following text in paragraph 4.73:

"The MIS supports the delivery of safer maternity care through the inclusion of an incentive element to contributions to the Clinical Negligence Schemes for Trusts (CNST)."

Terminology updates in the GAM

36. Minor adjustments to terms employed in Chapter 5 are required to more accurately depict disclosure requirements. This includes;

    - The removal of the term retained earnings when referring to the Income and Expenditure reserve for NHS providers in paragraph 5.83

    - Renaming the header 'Contract liabilities and other payables', 'Trade and other payables' above 5.107

    - Referring to NHS Litigation Authority via their operating name NHS Resolution in 5.111 onwards

37. The FAQ also updates the abbreviation for the 'NHS Foundation Trust Annual Reporting Manual'. Previously the GAM referred to the 'ARM' in some places. Going forward the GAM will refer to the 'FT ARM' throughout.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

38. Minor updates have been made to paragraphs 4.61 to 4.70 and 5.63 to reflect revisions to the provider sustainability and financial recovery schemes in 2019/20.

FAQ 4 UPDATED - PDC Policy Update

Background

39. The PDC Dividend policy as described in Chapters 4 and 5 of the GAM reflects terminology no longer relevant for grant accounting.

40. The policy as described does not provide instruction regarding instances in which providers demise, or take part in a merger or acquisition.

41. This also has an impact on the identification of whether PDC exceeds the value of relevant net assets transferring as described in paragraph 4.244 of the GAM. In such cases this FAQ serves to make clear that the assessment of whether net assets transferring is higher or lower than the PDC balance, excludes consolidated charitable fund net assets. The guidance for the treatment of charitable funds in paragraph 4.245 remains in place.

42. Where assets are given to the NHS, these should be accounted for as donated assets, therefore not attracting a PDC dividend expense per the current policy excluding donated assets from the relevant calculations.

43. Where additional assets are purchased relating to the COVID 19 pandemic, the value of these assets will be excluded from average relevant net assets for PDC dividend calculations, in the same manner as donated and grant funded assets. Such assets will therefore not attract a PDC dividend charge.

44. Entities will be required to indicate the value of net assets purchased in response to COVID 19 to their auditors, to confirm the asset values excluded from the PDC dividend calculation.

45. By order of this FAQ the PDC Dividend Policy is updated per the following text in Chapter 4 paragraph 4.196 onwards and reflected in Chapter 5, including the example accounting policy note Chapter 5 Annex 1, note 1.30;

"PDC dividend expense (NHS providers)

46. 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 dividend expense, for the financial year must be recorded as a receivable or payable in the SoFP.

47. Once determined for the draft accounts, the PDC dividend expense 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 calculation errors subsequently identified in respect of prior years. The PDC dividend payable (or receivable) is only adjusted in audited accounts to correct for errors in the calculation of the PDC dividend itself made in the draft accounts for that reporting year.

48. The calculation of relevant net assets is as follows:

Total public dividend capital and reserves	X
Less: Net book value of donated and grant funded assets and assets purchased in response to COVID 19	(X)
Less: Charitable funds (before any consolidation adjustments for charitable funds)	(X)
Less: Net cash balances in GBS accounts (excluding cash balances in GBS accounts that relate to a short-term working capital facility)	(X)
Less: Outstanding PDC Dividend prepayments	(X)
Plus: Outstanding PDC Dividend payables	X
Total Relevant Net Assets	X

49. The adjustment to net relevant assets calculation in respect of the Government Banking Service (GBS) must be calculated on the basis of average daily cleared balances. In practice therefore, GBS values are not deducted from 1 April and 31 March net relevant assets calculations as spot values at those dates. Rather, average net relevant assets including GBS for the year is calculated, and then the average daily cleared GBS balances deducted from that figure to arrive at the relevant net assets amount for the calculation of the dividend. National Loans Fund deposits are considered to be analogous to GBS balances for the calculation of relevant net assets and must also be calculated on an average daily basis.

50. An example of the calculation is set out below.

Example calculation:	£'000
Opening capital and reserves (including GBS and NLF balances and prior to consolidation of charitable funds)	123,000
Less: Opening donated and granted assets net book value	(3,000)

Total Opening relevant net assets [A]	120,000
Closing capital and reserves (including GBS and NLF balances and prior to consolidation of charitable funds)	128,500
Less: Closing donated and granted assets and assets purchased in response to COVID 19, net book value	(2,500)
Total Closing relevant net assets [B]	126,000
Average relevant net assets (including GBS and NLF)	**123,000**
[(A+B)/2]=[C]	
Less: Average daily cleared/available GBS balances and NLF deposits over the year [D]	(7,500)
Average relevant net assets for PDC dividend calculation	**115,500**
[C-D]=[E]	
Total PDC dividend expense	**4,043**
[E*3.5%]	

51. Where a provider exists for only part of the financial year, the charge should be pro-rated to reflect the number of months the provider was in existence. Where a provider is formed on or after 1 April, opening net relevant assets should be calculated after the transfer in of assets and liabilities from any predecessor bodies. For providers ceasing to exist on or before 31 March, closing net relevant assets should be calculated before the transfer of assets and liabilities to any successor bodies.

52. Where an existing provider acquires the services and accompanying net assets/liabilities of a demising provider towards the start or end of a financial year, this may have a distorting effect on the PDC dividend calculation. In such circumstances, closing net relevant assets should exclude the transferred net assets/liabilities, to initially compute average relevant net assets for the continuing provider without the effect of the acquisition. The part year effect of the acquired net assets/liabilities should then be added to the average relevant net assets, before calculating the 3.5% charge. For example, where an acquisition occurred on 1 July 9/12 of the net relevant assets acquired would be included. In the subsequent financial year, opening net relevant assets should relate to the full asset base of the enlarged provider."

FAQ 5 UPDATED - Modified Absorption Transfer

Background

53. Transfers of function within the DHSC Group are routinely accounted for via a transfer by absorption as prescribed in paragraph 4.237 of the GAM.

54. However, as approved by HM Treasury, the transfer of former Primary Care Trust assets from NHS Property Services to NHS Providers under the Asset Transfer Policy announced in May, will mirror the approach taken in 2013-14.

55. Therefore the corresponding debit or credit entry reflecting the gain or loss on absorption will be reflected through the reserves, rather than being recognised as a non-operating income or expense.

56. By order of this FAQ the following text is inserted in to Chapter 4 of the GAM and is reflected in the example accounting policy note in Chapter 5 Annex 1, note 1.5;

"Modified Absorption Accounting

Transfers of former Primary Care Trust assets from NHS Property Services to NHS providers under the Asset Transfer Policy announced in May 2019, will occur via a modified absorption approach, in which the corresponding debit / credit to reflect the gain / loss on transfer is recognised directly in reserves.

The modification relates only to the scoring of the corresponding debit and credit to the reserves. The guidance on treatment of pre transfer activity, valuation, accumulated depreciation and revaluation reserves as detailed in paragraphs 4.238 to 4.243 applies equally to the modified absorption approach.

The treatment mirrors the approach taken in transferring properties into NHS Property Services in 2013/14. HM Treasury has approved the use of this approach to effect symmetrical treatment on transfer out of NHS Property Services.

All other transfers by absorption are required to follow the treatment as prescribed from paragraph 4.237."

FAQ 6 UPDATED - Pension Contribution Treatment

Background

57. Employer pension contributions have increased from 14.38% to 20.68% for the 2019-20 financial year. This FAQ confirms the appropriate accounting treatment for the instances in which contributions towards the uplift are being paid by NHS England on the entity's behalf.

58. Entities will be required to account for employer contributions of 20.68% in full and on a gross basis in year end accounts.

59. Entities will also be required to separately account for any amounts paid on their behalf. The contributions paid on behalf of NHS bodies will be accounted for as notional funding for commissioners and notional income for providers.

60. Further information on this process has been published by the national bodies in the document accounting for the central employer pension contributions available on the NHS Improvement website.

61. At month 12 the relevant summarisation schedules will identify in which lines to record the gross treatment of this arrangement.

62. As this is interpreted to be in line with IAS 19, no adjustment will be made to the requirements to disclose pension costs in Chapter 5 of the GAM.

FAQ 7 - HM Treasury Financial Reporting Manual - December 2019 Update

63. The 2019-20 Financial Reporting Manual (FReM) was updated 19 December 2019. This FAQ identifies the changes made and the impact on the 2019-20 GAM.

64. The significant updates provided in the updated 2019-20 FReM relate to;

- Refinement of the HM Treasury IFRS 16 interpretations and adaptions

- Update to the guidance and presentation of disclosure requirements relating to the Statement of Parliamentary Supply

65. These changes do not require any updates to the 2019-20 GAM.

FAQ 8 NEW - Interaction between incentive / bonus payments from the Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF) and PDC Dividends

Background

66. The Provider Sustainability Fund (PSF) and the Financial Recovery Fund (FRF) have been made available to NHS providers in 2019-20.

67. Where providers rejected financial control totals or have failed to meet their control totals throughout 2019-20, the unearned elements of PSF or FRF have been placed into an incentive pot to be allocated out between providers.

68. An element of the bonus calculation may be 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 2020-21. Therefore, providers entitled to such payments will recognise a contract receivable in their year-end 2019-20 accounts.

69. 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 and FRF receivable due and reducing the PDC dividend payable in perpetuity.

Calculation of PDC dividend with PSF incentive / bonus interaction

70. 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).

71. Paragraph 4.198 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 element of the PSF and FRF will be paid after the 2019-20 year end, if no action were taken, the associated receivable will change the PDC dividend and this would affect the PSF and FRF entitlement calculation itself.

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

73. Whilst this reflects the same approach as was adopted for 2018-19, this arrangement remains under review in each financial year and thus is not establishing a precedent in relation to FRF and PSF incentive.

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

FAQ 9 NEW - Comparative Information for Exit Packages Disclosure

Background

75. It has been identified that a varied approach is taken in the disclosure of comparative information regarding exit packages disclosure in the DHSC Group.

76. Paragraph 3.96 confirms that the tables provided in the GAM meet the HM Treasury reporting requirements on exit packages. These requirements are to use the Cabinet Office format described in Annex 13 C of the Employer Pensions Guide Section 13.

77. The example exit package format provided in Annex 13 C requires comparative data to be provided.

78. In emphasising the consistency of exit package disclosures with related disclosures in the remuneration report per paragraph 3.97 of the GAM, the Department has expected group bodies to disclose comparative information for exit packages.

79. Given the varied approach to this element, this expectation is now made more explicit in Chapter 3 Annex 3 of the GAM. By order of this FAQ paragraph 3.97 is revised accordingly;

"It is important that entries in tables 1 and 2 are consistent with related disclosures in (a) the Remuneration Report and (b) the Losses and Special Payments Note. Thus, where entries here relate to individuals listed in the Remuneration Report, there must be a separate disclosure in the Remuneration Report listing details of the individuals' severance payments (whether compulsory or voluntary). Similarly, the Losses Statements must be consistent with those listed here under "special non-contractual payments". In line with the consistency requirements stated above, comparative information should be included."

FAQ 10 NEW - Carbon Reduction Commitment (CRC) Energy Efficiency Scheme allowances

Background

80. The CRC Energy Efficiency Scheme (formerly known as the "Carbon Reduction Commitment") was closed on 31 March 2019. It has been replaced by the Climate Change Levy (CCL). CRC was described in Chapter 4, Chapter 5 and in Chapter 5 Annex 1 as part of the example accounting policies.

81. Group bodies holding excess allowances relating to CRC Scheme should follow guidance provided in the paragraphs 4.141 to 4.143 of the GAM.

82. By order of this FAQ the CRC paragraphs in Chapter 4 of the GAM starting at 4.141 are revised to reflect the following;

"Excess Carbon Reduction Commitment (CRC) Energy Efficiency Scheme allowances

As the CRC scheme closed on 31 March 2019, this guidance only applies to any excess allowances continuing to be held by entities.

Surplus allowances that have not been surrendered remain refundable at the discretion of the Secretary of State for Business, Energy and Industrial Strategy. Such allowances no longer meet the definition of an intangible asset and should be reclassified as other assets in the statement of financial position. Where these are not expected to be surrendered for refund, they should be derecognised.

Accounting for the successor scheme CCL is described in paragraph 4.107 to 4.109"

83. By order of this FAQ the detail relating to CRC in the body of Chapter 5 is removed from the GAM and the example accounting policy in Chapter 5 Annex 1 for CRC is revised as follows;

"Excess Carbon Reduction Commitment scheme (CRC) (where relevant)

The CRC scheme was a mandatory cap and trade scheme for non-transport CO_2 emissions. The scheme was closed as of 31 March 2019. [The entity] was registered with the CRC scheme, and was therefore required to surrender to the Government an allowance for every tonne of CO_2 it emits during the financial year.

Allowances acquired under the scheme were recognised as intangible assets."

84. As CCL has replaced the previous CRC scheme, detail has been provided in Chapter 4 of the GAM and in the example accounting policy.

85. By order of this FAQ additional text has been inserted in to the GAM starting at paragraph 4.107 as follows;

"Climate Change Levy (CCL)

The levy is the successor scheme to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme allowances described in paragraphs 4.141 to 4.143.

There is no accounting standard that directly applies to the levy charge. As such, accounting for the levy defaults to IAS 1, Presentation of Financial Statements and the overarching IASB Conceptual Framework for Financial Reporting.

Bodies subject to payment of the levy will see an outflow of assets when cash is paid over under the terms of the levy. The levy can therefore be treated as an expense under the definition set out in the Conceptual Framework."

86. By order of this FAQ the example accounting policy note has been supplemented as follows

"1.10.3 Climate Change Levy

Expenditure is recognised in line with the levy charged, based on the chargeable rates for energy consumption as detailed in the Climate Change Levy documentation."

FAQ 11 NEW and UPDATED - Impact of COVID 19 on 2019-20 year end reporting requirements

87. The outbreak of COVID 19 is having a significant impact on the public sector resources. The Department of Health and Social Care is working together with HM Treasury to reduce the burden of financial reporting on public sector bodies without undermining Parliamentary accountability.

88. Changes to the timetable for preparation of 2019-20 Annual Reports and Accounts have already been communicated by the appropriate national body.

89. By order of this FAQ paragraphs 2.63 to 2.65 that deal with deadlines for laying documents before Parliament are revised to reflect the following text.

"All ARAs must be sent to arrive at the Parliamentary Relations Unit to allow sufficient time for laying. The timetable for submission will be confirmed at a later date. For FTs the timetable for submission will be part of the accounts timetable issued by NHS Improvement.

ARAs will be welcomed for laying before the submission date. It is the responsibility of the entity to ensure its ARA is laid.

Laying reports in good time before a Parliamentary recess ensures that there is opportunity for appropriate Parliamentary scrutiny. For 2019-20 there is no expectation that ARAs will be laid before the Parliamentary summer recess."

90. Changes to the mandatory requirements of the Annual Report are under review by the Department, NHS England and NHS Improvement and HM Treasury. The following revisions to annual reporting guidance were approved by FRAB on 8 April 2020.

91. Chapter 3 of the GAM identifies previously mandatory inclusions to the Annual Report that are now designated optional to omit for NHS bodies.

    - The performance analysis

    - Sickness absence data

92. By order of this FAQ minor revisions have been made to Chapter 3 and Chapter 3 Annex 1, to reflect the optional nature of the above disclosures. These are detailed below.

93. Chapter 3 has been supplemented with the following text in paragraphs 3.2 to 3.4.

"In response to COVID 19 changes to annual reporting requirements have been made for NHS bodies in scope of this Chapter.

Where reporting requirements are designated 'optional to omit' for an NHS body, this is identified in the header introducing the specific requirement and where appropriate in the body of the Chapter. All other reporting requirements must continue to be disclosed.

The scope of this optional omission for annual reports does not extend to items that are included in the Annual Report through a specific legal requirement upon the NHS body to report against."

94. Under paragraph 3.5 the mandatory inclusions of the Performance Report have been updated per the following text.

95. "a performance analysis, optional to omit."

96. Above paragraph 3.19 the header introducing the mandatory requirements for the performance analysis has been updated per the following text.

"Performance analysis, optional to omit"

97. Subsection (d) of paragraph 3.67, which details the sickness absence data requirements of the Staff Report, has been updated to reflect the following text.

"Sickness absence data, optional to omit - NHS bodies should provide a link to the NHS Digital publication series on NHS Sickness Absence Rates"

98. The visual structure of the Annual Report and Accounts provided in Chapter 3 Annex 1 has been updated to reflect that the performance analysis, and sickness absence data are all optional to omit.

99. Revised reporting requirements to be announced in the FReM are subject to Parliamentary approval. As such if there are further changes to the FReM that need to be reflected in the GAM, a further update of this FAQ will be made.

FAQ 12 NEW - IFRS 16 and IFRS 17 Deferrals

100. HM Treasury has announced that IFRS 16, Leases, as interpreted and adapted by the FReM is to be effective from 1 April 2021. This represents a further one year deferral.

101. By order of this FAQ paragraph 4.156 of the GAM and Chapter 4 Annex 1 and Annex 2 of the GAM have been updated to reflect this further deferral.

102. The IASB has deferred the effective date of IFRS 17, Insurance Contracts, to annual reporting periods beginning on or after 1 January 2023. IFRS 17 as interpreted and adapted by the FReM is to be effective from 1 April 2023.

103. By order of this FAQ Chapter 4 Annex 2 of the GAM has been updated to reflect this further deferral.

FAQ 13 NEW - Impact of NHS Cash Regime Announcement

104. The announcement that interim capital and revenue loans, including working capital facilities at 31 March 2020 are to be extinguished via conversion to Public Dividend Capital (PDC), creates a post balance sheet event for NHS providers to incorporate into their ARAs.

105. This is an adjusting event after the reporting period. The issue of PDC in 2020-21, to effect the repayment of in scope debt, provides evidence that the classification of this debt at 31 March 2020 should be as a current liability, rather than split between current and non-current as the liability will be repayable within 12 months of the balance sheet date.

106. As well as impacting the classification of this debt as a current liability at 31 March 2020 entities should disclose the regime changes as a post balance sheet event and make reference to it in their going concern disclosure. References made in the disclosure should also reflect that PDC is to be issued to match the interim debt disclosed as a current liability.

107. NHS England and NHS Improvement will separately provide sector instruction regarding completion of the TAC schedules and offer standardised language on communicating the adjusting event as part of the ARA in line with this FAQ.

108. By order of this FAQ a section on the 2019-20 impact of the reforms to the NHS Cash Regime effective from 1 April 2020 has been added to the GAM from paragraph 4.191. The text of the GAM is supplemented as follows.

"Impact of the Reforms to the NHS Cash Regime effective from 1 April 2020

The announcement that in scope historic debt (interim revenue loans, working capital facilities and capital debt) will be extinguished in 2020-21 via the issue of PDC to effect repayment of outstanding balances at 31 March 2020, creates an adjusting event after the reporting period.

The announcement provides evidence that all in scope debt should be classified as a current liability at 31 March 2020. NHS providers will be issued with sector specific guidance for completing the TAC schedule and related disclosure requirements."

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