



## Financial Reporting Advisory Board Paper

### Department of Health and Social Care Group Accounting Manual 2020-21

<b>Issue:</b>	This paper provides an update on plans to publish the 2020-21 Department of Health and Social Care Group Accounting Manual and presents a post consultation draft for comment and approval
<b>Impact on guidance:</b>	The Manual supplements the FReM for the DHSC Group
<b>IAS/IFRS adaptation?</b>	The Manual follows the adaptations and interpretations in the FReM
<b>Impact on WGA?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	The Manual follows the adaptations and interpretations in the FReM
<b>Impact on budgetary regime?</b>	N/A
<b>Alignment with National Accounts</b>	N/A
<b>Impact on Estimates?</b>	N/A
<b>Recommendation:</b>	FRAB is asked to note the proposed timetable for publication, comment and approve the Group Accounting Manual 2020-21 for publication
<b>Timing:</b>	The GAM is published annually at the end of April

## **DETAIL**

### ***Background***

1. The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) for 2019-20 was approved by FRAB and published 1 May 2019. The 2020-21 Manual is being finalised to a similar timetable.
2. The Department's consultation on the 2020-21 Manual with key stakeholders and preparers has closed. Adjustments stemming from consultation responses received have been built in to the 2020-21 GAM being considered by the Board. This process has enabled further refinement of the GAM shared in December. It contains no fundamental changes from the previous iteration shared with the Board.
3. The main changes for 2020-21 relate to the adoption of IFRS 16 *Leases* and enhancements of the annual report stemming from the Government Financial Reporting Review. DHSC has worked closely with HM Treasury as part of its technical working group, contributing to the development of accounting and budgeting approaches to IFRS 16, communicated in the Financial Reporting Manual (FReM), Consolidated Budgeting Guidance (CBG) and extant guidance on gov.uk. DHSC has similarly engaged in the 2020-21 FReM working group.
4. Other changes relate to updating references to the Conceptual Framework, revising the definition of materiality per IAS 1 and 8 and some revision of sectoral guidance regarding the evolving financial architecture which will underpin delivery of the NHS Long Term Plan.

### ***Purpose of this paper***

5. This paper describes the changes incorporated into the 2020-21 Manual, sets out the remaining timetable for publication, and presents a post consultation draft.
6. This paper confirms the accompanying annexes provide a draft of the GAM and detail the specific changes that have been made which are summarised below.

### ***IFRS 16 – Leases***

7. A full review of the text of the Manual has been undertaken, replacing references to the previous leasing standards, amending and contextualising for the health sector accounting, presentation and disclosure requirements as necessary.
8. As well as replicating the FReM adaptations and interpretations in the body of Chapter 4, Chapter 4 Annex 11 has been drafted to focus on key areas of the Standard that will assist health sector entities in implementation of IFRS 16. The guidance has been developed and shaped over a number of formal and informal consultation processes undertaken with stakeholders and users internal and external to the sector. DHSC has also developed illustrative examples and infographics to assist practitioners in bringing the application of IFRS 16 to life.
9. There are significant accounting, budgeting and reporting impacts to manage within the DHSC Group on transition to IFRS 16. The Department is keen to ensure that significant levels of guidance, across various mediums, is offered to assist entities with transition to IFRS 16. The Department has developed various implementation tools, led webinars and technical sessions on IFRS 16, as well as continuing to collaborate with NHS England and Improvement in the development of NHS specific frequently asked questions, that are referenced in and consistent with, the application of IFRS 16 per the GAM.

### ***Annual Report changes in the 2020-21 FReM***

10. Revisions to the GAM have been made in relation to the guidance offered for requirements pertaining to the Performance Report and Accountability Report, stemming from the extensive changes made in this area to the FReM.

11. Whilst the Annual Report detail in the FReM often relates specifically to departments; in creating closer ties between performance reports and the Parliamentary Supply Statement as well as the added emphasis on describing performance against Single Departmental Plans, there are enhanced disclosures in regards to; risk, staff turnover and engagement, various comply or explain requirements, as well as additional best practice considerations around the use of meaningful trend series, that the GAM has reflected in Chapter 3, for the relevant group bodies.

12. The majority of the updates to the Annual Report section of the GAM will assist preparers in delivering the expectations of key users in a more accessible and contextualised manner.

### ***Other changes***

13. The GAM also reflects some revisions being made to the financial architecture underpinning the NHS Long Term Plan. This includes additional detail as to how the financial recovery fund will operate, replacing previous detail on provider and commissioner sustainability funds. We continue to assess whether other elements of the architecture are required to be detailed in the GAM. Other sectoral updates include the approach to transfers of functions between NHS Property Services and NHS trusts and foundation trusts under the Asset Transfer Policy.

14. The above including all 'other changes' are listed in the Summary of Changes on page 7 of the GAM. Whilst the Conceptual Framework revised in March 2018, applicable in the 2020-21 financial year and the revised definition of materiality employed in IAS 1 and 8, are notable revisions for entities to consider in 2020-21, they do not entail a requirement for further health sector specific guidance in the GAM.

### ***Timetable and Next Steps***

15. The high-level timetable for publication of the 2020-21 Manual is set out at Annex A.

16. Following submission of the GAM to FRAB in December 2019, the Manual has been fully updated to reflect final changes to the 2020-21 FReM. A post consultation version of the Manual, shaped by comments received from FRAB members and consultation respondents, is now submitted for FRAB comment and approval, allowing publication at the end of April 2020.

### ***DHSC Group Accounting Manual 2020-21***

17. The draft 2020-21 Manual is presented in Annex C. Specific changes made in the GAM are detailed in Annex B.

### ***Recommendation***

18. FRAB is asked to:

- note the proposed timetable for publication,
- approve the draft Group Accounting Manual 2020-21 for publication,

***Annex A: Timetable for publication of the 2020-21 DH Group Accounting Manual***

Dec 19	2020-21 FReM published
Dec 19	Draft 2020-21 GAM shared with FRAB
Jan - Feb 20	Consultation with key stakeholders and user community on draft GAM
Feb - Mar 20	Post consultation amendments
12 Mar 20	2020-21 GAM submitted to FRAB for comment and approval
Mar – Apr 20	Post FRAB changes
Apr 20	FD sign-off
30 Apr 20	Final 2020-21 GAM published

***Annex B: Department of Health Group Accounting Manual 2020-21 Change log***

See separate document.

***Annex C: Department of Health Group Accounting Manual 2020-21***

See separate document