



## Financial Reporting Advisory Board Paper

### Department of Health and Social Care Group Accounting Manual 2019-20 Annual Reporting Revisions

<b>Issue:</b>	This paper provides an update on plans to streamline annual reporting requirements in the DHSC Group Accounting Manual for 2019-20 to reduce the burden on entities responding to COVID 19
<b>Impact on guidance:</b>	As HM Treasury will subsequently seek Ministerial and Parliamentary approval of changes to the FReM, the changes to the GAM will have to be communicated and employed prior to final approval of the FReM.
<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 expected adaptations and interpretations in the FReM. Close engagement with HM Treasury has ensured the GAM follows the expected approach of the FReM in relation to the performance reporting, but seeks to explore opportunities for going further to reduce burdens in relation to the Accountability Report.
<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 approve the revised 2019-20 GAM annual reporting requirements. The Board should note that in providing FRAB approval to the proposed revisions, subsequent HM Treasury approval of the GAM will be subject to the FReM receiving Parliamentary approval. If in the process of seeking Parliamentary approvals there are further changes to the FReM, DHSC will make a further update of the GAM.
<b>Timing:</b>	The GAM will be published week commencing 13 <sup>th</sup> April

## **DETAIL**

### ***Background***

1. The outbreak of COVID 19 is having a significant impact on the public sector resources. The Department of Health and Social Care (DHSC) and NHS England and NHS Improvement (NHSE&I) are working together with HM Treasury to reduce the burden of financial reporting on public sector bodies without undermining Parliamentary accountability. The focus of this paper is specifically on the reporting requirements of NHS bodies, as promulgated via the DHSC Group Accounting Manual (GAM) and associated manual for NHS foundation trusts.
2. Changes to the timetable for preparation of 2019-20 Annual Reports and Accounts (ARAs) for NHS bodies have already been communicated by NHSE&I and DHSC to the health sector. We fully support the HM Treasury response to COVID 19 resource prioritisation, by extending the administrative deadline for the laying of central government accounts to September 2020.
3. Changes to the mandatory requirements of the Annual Report element of the ARA have been considered, to reduce the burden of reporting in these extraordinary times, whilst balancing the need for scrutiny and accountability via the publication of ARAs.

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

4. This paper summarises the changes incorporated into Chapter 3 of the 2019-20 GAM, which presents certain mandatory reporting requirements in the annual report as optional for entities to omit. Separate guidance to NHS foundation trusts will be updated similarly.
5. This paper confirms the accompanying annex provides a draft of the proposed 2019-20 GAM carrying the intended changes to be made after consulting HM Treasury on the proposed revisions to the FReM.

### ***Scope of changes***

6. A full review of reporting requirements has been undertaken. However it is important to stress to the Board that only annual reporting changes are being proposed for the GAM. This is to ensure there is no disruption to a key element of accountability, in a full and proper set of financial statements being presented by entities, that follows the appropriate accounting standards and is audited robustly in this respect, to Parliament (for NHS consolidations) and other key users of accounts.
7. Whilst wider revisions to requirements had been considered by the relevant authorities, it has been determined that a streamlined Annual Report can achieve the expected outcome of reporting without creating undue pressures on future year ARAs. This is also an avenue that can be communicated quickly and simply to health sector bodies, which will aid the reduction of resource burdens in this area if communicated promptly.

### ***Annual Report revisions in the 2019-20 GAM.***

8. A performance analysis will be identified as optional to omit from an entity's ARA for 2019-20. This omission is in line with the proposed approach for the FReM discussed with HM Treasury.
9. The performance report overview, as described currently in the GAM, is considered to contain sufficient requirements to explain the functioning of the organisation as well as the key risks and issues it faces in delivering on its objectives coupled with these being also referenced in key

elements of the Corporate Governance Report. Where there are specific legal requirements for health sector bodies that are met through inclusion in the performance analysis, these will remain.

10. The GAM then goes further than the HM Treasury proposal in considering scope for identifying elements of the Accountability Report as optional to omit. Whilst this goes beyond the HM Treasury proposals for the FReM, it is considered in keeping with the nature of the discussions at FRAB 139.

11. The GAM proposes that entities for which sickness absence data is separately provided in [NHS official statistics publications](#), the provision of such data as part of the Remuneration Report can be omitted. The entities are directed to provide a link to where information is available external to the ARA in the 2019-20 GAM.

12. The GAM proposes to omit the pension entitlement table. As pension benefits are included in the single total figure table, we consider this disclosure sufficient information for users, whilst alleviating a significant resource burden in the compilation and audit of the entitlement table.

13. This step would require a change to the 2020-21 GAM to confirm that for 2020-21, comparatives are not required for this specific disclosure, or else it would simply store up a future year problem that we are keen to avoid in our approach.

14. We seek the Board's view as to whether members are content to approve proposals in the GAM that go further than the FReM is currently intending.

15. We are keen to obtain views of the Board as to whether greater ambition to streamline the annual report should be shown in the GAM.

### ***Timing issues***

16. Whilst the Annual Report detail in the FReM often relates specifically to departments in creating closer ties between performance reports and the Statement of Parliamentary Supply, the GAM usually follows the FReM to ensure only specifically divergences are maintained.

17. NHS entities are used to an end of May deadline for audited annual reports and while we have extended that deadline to late June, entities are used to preparing their annual report now. There is an urgent need to give clarity on annual report requirements for the NHS, and this is needed earlier than it is for central government entities. If entities are given no choice but to commission full annual reporting requirements from the various elements of the organisation that contribute to the publication of the annual report, it will be the worst outcome for those entities if we later confirm that significant proportions of the work completed is unnecessary for the ARA in 2019-20.

18. Therefore the health sector cannot wait for HM Treasury to move through all of its proposed approval steps before clarifying what the Annual Reporting requirements will be in the FReM, for these to be then communicated in the GAM.

19. To mitigate against this outcome DHSC and NHSE&I are actively engaging with HM Treasury to provide clarity on requirements. Nevertheless to ensure that Annual Reporting requirements can be accurately commissioned and completed prior to the expected peak resource requirements responding to COVID 19 expected in the coming weeks, we require certainty to communicate requirements immediately.

### ***Next Steps***

20. We have engaged closely with HM Treasury to ensure that the GAM's approach to reduced reporting burdens firstly aligns with the spirit of the approach proposed by HM Treasury and discussion held in FRAB 139.

21. We are clear that in a couple of areas, and only with the Board's approval, the GAM will seek to go further than the approach to the FReM to reduce certain burdens around the Accountability Report as detailed in paragraphs 10 to 14 above.

22. If FRAB approve the approach to revised reporting requirements in the 2019-20 GAM, DHSC will move to publishing the GAM in the week commencing 13<sup>th</sup> April on gov.uk. The Board should note that in receiving FRAB approval for the proposed revisions, subsequent HM Treasury approval will be subject to the FReM receiving Parliamentary approval. If in the process of seeking Parliamentary approvals there are further changes to the HM Treasury approach in the FReM, DHSC will make a further update of the GAM.

23. If the Board cannot approve the GAM at its meeting on 8 April and makes specific recommendations, we undertake to make necessary revisions later on 8 April and would wish to return to a nominated FRAB member to confirm the revisions meet the agreed position per FRAB 140 and then publish per the steps described above.

### ***Recommendation***

24. FRAB is asked to:

- approve the revised 2019-20 Group Accounting Manual for publication,
- note the proposed timetable for publication and scope of HM Treasury approvals.

### ***Annex A: Department of Health Group Accounting Manual 2019-20***

See separate document.