



Financial Reporting Advisory Board Paper

Impact on the Department of Health and Social Care Group Accounting Manual stemming from the Health and Care Act

Issue:	This paper provides an update on how the Health and Care Act, which gained royal assent on 28 April 2022 is anticipated to impact the Department of Health and Social Care Group Accounting Manual.
Impact on guidance:	The Manual supplements the FReM for the DHSC Group. The commencement of the Health and Care Act will require some modest changes to the GAM as described in the paper
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 – ESA 10?	N/A
Impact on Estimates?	N/A
Recommendation:	FRAB is asked to note the anticipated impacts of the Health and Care Act on the Group Accounting Manual, which will be considered by the Board in March 2023
Timing:	The Manual is published annually at the end of April / beginning of May

DETAIL

Background

1. The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) for 2022-23 was approved by FRAB as part of meeting 146. The 2022-23 GAM FRAB considered, contained a specific update in relation to the [Health and Care Act](#) (the Act) with acknowledgement that the Department would update the Board as to the further impacts of the Act.

Purpose of this paper

2. This paper outlines the main impacts of the Act vis a vis the GAM, as well as the broader intentions of the Act, which will help inform Board members as to some of the updates they may expect to see in the 2023-24 GAM to be considered in March 2023. Given the relevance of the changes stemming from the Act commencing on 1 July 2022, these updates will be rolled back into an updated 2022-23 GAM published in April 2023.

Broad themes of the Act

3. The Health and Care Bill which received Royal Assent on 28 April enacts what is considered to be the most significant health legislation in a decade, into law. It introduces measures to tackle the COVID-19 backlogs and rebuild health and social care services from the pandemic, backed by £36 billion over the next 3 years through the Health and Care Levy. It will also contain measures to tackle health disparities and create safer, more joined-up services that will put the health and care system on a more sustainable footing. The Act builds on the proposals for legislative change set out by NHS England in its Long Term Plan, while also incorporating valuable lessons learnt from the pandemic to benefit both staff and patients.

4. It marks an important step in the government's health and care agenda, setting up systems and structures to reform how health and adult social care work together, tackle long waiting lists built up during the pandemic, and address some of the long-term challenges faced by the country including a growing and ageing population, chronic conditions and inequalities in health outcomes. Board members may find the [fact sheets published on gov.uk](#) to support the progress of the Health and Care Bill through Parliament, informative as to the wider impacts of the Act on the sector and its operational activities.

5. The Act amends rather than revokes legislation such as the NHS Act 2006 or the Health and Social Care act 2012 by inserting new, refining, or removing, existing requirements. In some instances the legislation is also re-organising provisions of earlier acts. Where the Act is abolishing entities it is revoking the underpinning statutory instruments.

Structural changes stemming from the Act

6. As was referred to in paper 146 (06) a key change stemming from the Act is the demise of Clinical Commissioning Groups (CCGs) and the establishment of Integrated Care Boards (ICBs) as of 1 July 2022. The treatment of the transfer of assets and liabilities from the demising to the successor bodies was addressed in paper 146 (06).

7. The Act places on a statutory footing Integrated Care Systems (ICS) which are partnerships that bring together providers and commissioners of NHS services across a geographical area with local authorities and other local partners to collectively plan health and care services to meet the needs of their population. The central aim of ICSs is to integrate care across different organisations and settings, joining up hospital and community-based services, physical and mental health, and

health and social care. An Integrated Care Partnership (ICP), a statutory committee formed of the ICB and upper tier local authorities in the ICS will be responsible for producing an integrated care strategy to ensure joined up approaches in regards to health and social care. ICSs and ICPs are therefore not 'body corporates' or 'arms-length bodies' (ALBs) of the Department that compile annual report and accounts.

8. In terms of parent and subsidiary relationships in the DHSC Group, little changes with regard to the establishment of ICBs. NHS England are the parent entity of ICBs, as they were for CCGs, and NHS trusts and NHS foundation trusts remain independent entities (i.e. not a subsidiary of NHS England) within the DHSC Group accounting boundary, whose reporting is consolidated as part of the [Consolidated Provider Account](#) to provide transparent financial reporting on the wider NHS provider position as well as being used as a sub consolidation tool by the Department. However the Act will require minor revision to accounts directions that have been made under previous legislation, but the content of these directions, for example the direction to NHS trusts which per Chapter 2 Annex 4 of the GAM are directed to follow the GAM, will not change.

9. Other structural changes predicated by the Act include the merger of Monitor and NHS Trust Development Authority (which operated under the banner of NHS Improvement) into NHS England on 1 July 2022, as well as the establishment of a new Non Departmental Public Body, the Health Services Safety Investigations Body (HSSIB). The merger of other DHSC Group ALBs (Health Education England and NHS Digital) into NHS England has also been announced.

10. Whilst the landscape of bodies engaging in health and social care activities within the DHSC Group is changing due to the Act and wider re-organisation, this does not translate to significant changes expected in the guidance set out in the GAM. The GAM already provides some detail regarding the need to compile part year accounts and the disclosures required where transfers by absorption take place. However we are mindful that given the extent of changes taking place across the DHSC Group, further guidance around this area may be required, but this is not expected to diverge from the requirements already detailed in the GAM.

Financial Reporting impacts

11. The Act contains a number of additional reporting requirements on various entities within the DHSC Group to enhance transparency and accountability. Some of these reporting requirements will form part of new annual report disclosures. An example of this is where ICB annual reports will need to detail the amount of expenditure incurred during the financial year in relation to mental health and the proportion of expenditure this represents.

12. Some of the new reporting requirements that will feature in annual reports of NHS bodies are descriptive in nature, for instance, the requirement for NHS trusts to review how their activities are consistent with NHS England's latest statement on inequalities, or the requirement to disclose how a NHS trust has exercised its functions in accordance with the joint forward plans published by the ICB and its partners. Such descriptive reporting requirements have a strong link to the expectations of a Performance Report per the FReM and GAM.

13. The GAM will be updated for such disclosure requirements where relevant in Chapter 3 in relation to disclosures in the front half of annual report and accounts and in Chapter 5 in relation to disclosures concerning notes to the accounts or the financial statements.

Next Steps

14. The Board will receive a pre and post consultation version of the draft 2023-24 Manual as usual. The supporting documentation will identify all of the changes made to the Manual in relation to commencement of the Act.

15. This paper confirms that some changes will be made to the GAM on the basis of commencement of various provisions of the Act but these are modest in nature and aren't anticipated to generate any divergences to the FReM.

Recommendation

16. FRAB is asked to:

- note that the Health and Care Act is anticipated to have a limited impact on the guidance contained in the GAM
- note that the 2023-24 GAM will be shared with the Board to the usual timelines (a pre consultation version shared in January 23 and the post consultation version for approval at the March 23 session).