



Financial Reporting Advisory Board Paper

Department of Health and Social Care Group Accounting Manual 2025-26

Issue:	This paper describes the changes incorporated into the 2025-26 Manual, sets out the remaining timetable for publication and presents a post consultation draft of the Manual (subject to further minor amendments).
Impact on guidance:	The Manual supplements the FReM for the DHSC Group
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 proposed timetable for publication, comment and initially approve the Group Accounting Manual 2025-26 for publication
Timing:	The new Manual is published during quarter one of the new financial year

DETAIL

Background

1. The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) for 2024-25 was approved by FRAB and subsequently published in August 2024. We aim to publish the 2025-26 Manual during quarter one of 2025-26.
2. The Department's consultation on the 2025-26 Manual has now closed. Adjustments stemming from the consultation responses have been built into the 2025-26 GAM under consideration by the Board. Due to the large volume of consultation responses received, there may be some further clarifications which we are working through - we will share these with the chair and members via email correspondence at the earliest opportunity.
3. For the 2025-26 iteration, there are a few discreet areas of guidance that have been updated. This includes:
 - a. Incorporation of guidance for phase 3 implementation of the Task Force on Climate-related Financial Disclosures (TCFD)
 - b. Incorporation of guidance for the adoption of IFRS 17 Insurance Contracts
 - c. Revised approaches to subsequent measurement of intangible assets and classification of property, plant and equipment stemming from the outputs from the non-investment thematic review
 - d. Incorporation of guidance relating to accounting for social benefits
4. Other changes have been made to; the guidance on spend that relates to Mental Health spend disclosures to Chapter 5 following NHS England's proposal to combine Mental Health investment Standard (MHIS) and requirements under NHS Act 2006 into a single disclosure in the accounts than annual report, and removal of guidance on NHS trust external financing limits (EFL). Other cosmetic changes have been made to enhance the clarity of guidance in the GAM. Whilst summarised below all changes made to the GAM are itemised per annex B and annex D.

Purpose of this paper

5. This paper describes the main changes to the 2025-26 Manual, sets out the remaining timetable for publication and presents a post consultation draft of the Manual.

TCFD recommendations in the GAM

6. The TCFD recommendations have been incorporated into the Financial Reporting Manual (FReM) on a phased basis over 3 years from 2023-24 and the Department is reflecting this approach in the GAM. The Department has worked with HM Treasury in contextualising the application guidance for the health sector in Chapter 3 Annex 5 of the GAM because, as is referenced in the application guidance, it does not automatically apply to NHS bodies.
7. The 2025 to 2026 financial year incorporates the TCFD strategy pillar recommended disclosures into the GAM and completes phased introduction of TCFD recommended disclosures.
8. The approach of the GAM, has in the main, reflected the HM Treasury approach to public sector adoption of the TCFD recommended disclosures. The GAM currently departs from the approach in the FReM in the following ways, as the GAM does not require:

- a. NHS bodies to disclose or develop processes to disclose scope 1, 2 and 3 emissions reporting under the metrics and target pillar. As emissions estimates for the NHS in England will be provided by NHS England, it is considered that undue costs and effort would be involved in each local body establishing a duplicative process for the purpose of this disclosure
- b. a compliance statement, but provides suggested introductory text in making the disclosures while maintaining the Companies Act approach of requiring the entity to explain why the specific disclosures are not provided

9. In adopting the recommended disclosures under the strategy pillar, the GAM departs from the approach taken by in the FReM in regards to:

- a. not requiring entities to complete a climate principal risk assessment required as part of HM Treasury's application guidance as part of the strategy pillar, as it is considered that the risk management pillar requirements sufficiently cover this matter
- b. adaptation of the recommended disclosure relating to the scenario analysis.

Rather than requiring entities to disclose the resilience of an organisation's strategy over various reference points, including mid and end of century reference points, given a global warming pathway of 2°C or lower, the GAM adapts the second recommended disclosure under the strategy pillar, to incorporate the requirements of a more targeted scenario analysis.

Implementation of IFRS 17 Insurance Contracts

10. IFRS 17 is being applied in the 2025 to 2026 GAM and reflects adoption in the FReM. IFRS 17 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17 and replaces the previous standard IFRS 4 Insurance Contracts

Details of the updated guidance in the 2025 to 2026 GAM include:

- a. the accounting and budgeting misalignment in relation to insurance expenditure scoring to capital is detailed in chapter 2 of the GAM
- b. the interpretations and adaptations of IFRS 17 are detailed in chapter 4 and chapter 4 annex 1
- c. due to the limited application to group entities historically, a separate annex to chapter 4 of the GAM has not been developed
- d. summary content regarding transition, initial recognition and subsequent measurement under the general measurement model of IFRS 17 has been provided in chapter 4
- e. relevant and proportionate updates have also been made to chapter 5 and chapter 5 annex 1 of the GAM detailing key elements of the disclosure requirements

Revised approaches to subsequent measurement of intangible assets and classification of property, plant and equipment stemming from the outputs from the non-investment thematic review

11. Intangible Assets – The 2025 to 2026 GAM reflects the proposed review that the option to employ the revaluation model on subsequent measurement has been withdrawn from 1 April 2025 and the cost model should be employed (see Chapters 4 and 5 plus associated annexes). This approach received positive consultation responses and FRAB endorsement and it mirrors the 2025 to 2026 FReM.

12. Property, plant and equipment (PPE) - the GAM reflects changes to terminology of PPE in regards to assets no longer being held for their service potential, but held for their operational capacity and revising references to distinctions of specialised and non-specialised assets. The GAM 2025-26 however is drafted to diverge from the FReM by excluding any changes to valuation cycles for the 2025 to 2026 financial year. Instead, the GAM reflects the previous guidance on this matter until revisions to valuation cycles and valuation methodologies both receive FRAB endorsement. This divergence is addressed in a separate paper submitted to the Board for consideration. Additionally, the DHSC consulted stakeholders on this approach during the consultation process and received supportive feedback.

Accounting for social benefits

13. The 2025 to 2026 GAM incorporates guidance regarding the accounting for social benefits reflecting FReM changes. While the accounting for social benefits is anticipated to have limited relevance or material impact for DHSC group entities, a short section in chapter 4 has been added to provide the definition of social benefits and the expected accounting treatment following the principles outlined in the IFRS conceptual framework and application guidance.

Other changes

14. Changes have been made in relation to disclosure of mental health expenditure and the mental health investment standard (MHIS). NHS England requires each ICB to meet the MHIS. The MHIS requires all ICBs to spend a proportion of their allocation on mental health services. Separately, Chapter 3 of prior year GAMs included a requirement stemming from the National Health Service Act 2006 for ICBs to disclose in their annual report the proportion of overall spend that relates to mental health. We have now incorporated both of these sets of requirements into a single disclosure that must be included as a note to the ICB's financial statements. The guidance that was previously included at paragraph 3.27 has been removed and revised guidance for ICBs has been incorporated into chapter 5 of the GAM.

15. The 2025-26 GAM removes the guidance on NHS trust external financing limit (EFL). The EFL was previously one of the duties that NHS trusts must comply with, alongside the capital resource limit and the breakeven duty but it does not apply to NHS foundation trusts. The historic processes around the EFL and its disclosure no longer correspond with the current control frameworks for NHS providers and it is not actively used. Accordingly, we have removed the EFL disclosure from chapter 5 of the GAM. DHSC also backdates this change and removes the disclosure from the 2024 to 2025 GAM as part of the year-end update to the GAM.

Timetable and Next Steps

16. The high-level timetable for publication of the 2025-26 Manual is set out at Annex A.

17. A post consultation version of the Manual, shaped by comments received from consultation respondents, is now submitted for FRAB comment and initial approval (subject to any further

clarification points shared after this meeting), allowing for publication during quarter one of the 2025-26 financial year.

DHSC Group Accounting Manual 2025-26

18. The draft 2025-26 Manual is presented as Annex C. Specific changes made in the GAM are detailed as Annex B and a tracked changes version identifying the changes made post consultation has been shared as Annex D.

Recommendation

19. FRAB is asked to:

- note the proposed timetable for publication (Annex A),
- approve the draft Group Accounting Manual 2025-26 for publication (subject to further minor clarifications).

Annex A: Timetable for publication of the 2025-26 DHSC Group Accounting Manual

Dec 24	2024-25 update and 2025-26 initial FReM published
Feb 25	Draft 2025-26 GAM shared with FRAB pre consultation
Feb 25 – Mar 25	Consultation with key stakeholders and user community on draft GAM
Mar 25	Post consultation amendments
Mar 25	2025-26 GAM submitted to FRAB for comment and approval
Mar – Apr 25	Post FRAB changes
Apr / May / Jun 25	2025-26 GAM published

Annex B: Department of Health and Social Care Group Accounting Manual 2025-26 Change log

See separate document. Note there are separate tabs for pre and post consultation changes

Annex C: Department of Health and Social Care Group Accounting Manual 2025-26 clean version

See separate document.

Annex D: Department of Health and Social Care Group Accounting Manual 2025-26 tracked changes version

See separate document. The tracked changes cover the changes made to the 2025-26 GAM