



## Financial Reporting Advisory Board Paper

### Department of Health and Social Care Group Accounting Manual 2026-27

<b>Issue:</b>	This paper describes the changes incorporated into the 2026-27 Manual, sets out the proposed timetable for publication and presents a post consultation draft of the Manual (subject to further minor amendments).
<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 – ESA 10?</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 initially approve the Group Accounting Manual 2026-27 for publication
<b>Timing:</b>	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 2025-26 was approved by FRAB and subsequently published in June 2025. We aim to publish the 2026-27 Manual during quarter one of 2026-27.
2. The Department's consultation on the 2026-27 Manual has closed. Most amendments arising from consultation responses have been incorporated into the draft GAM presented to the Board. Any further minor clarifications identified following FRAB consideration will be shared with the Chair and members by correspondence.
3. For the 2026-27 iteration, changes to the GAM are more targeted in nature and are largely driven by updates to the FReM and the outputs of HM Treasury's non-investment asset review. The changes focus on aligning existing guidance with revised FReM requirements, removing guidance that is no longer required, and clarifying areas where stakeholders sought additional certainty.

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

4. This paper summarises the key changes made to the 2026-27 GAM, sets out the proposed publication timetable and presents the post-consultation draft of the Manual.

### ***Property, plant and equipment – valuation cycles and methodology***

5. The 2026-27 GAM has been drafted to align fully with the revised FReM requirements on the valuation of property, plant and equipment (PPE) under IAS 16, following the conclusions of HM Treasury's non-investment asset review.
6. In particular, the GAM now reflects the FReM position on valuation cycles for PPE and the associated valuation methodologies to be applied under IAS 16. This represents a change from the 2025-26 GAM, which retained previous valuation requirements pending Board's agreement on valuation basis for land and endorsement of the removal of the 'alternative site' assumption from the MEA approach under DRC methodology.
7. DHSC recognises that these changes may have material impacts for some NHS bodies, particularly in relation to estate valuations and financial planning. However, it is considered that aligning the GAM with the now-settled FReM position, and providing clearer expectations ahead of the 2028-29 change, will reduce uncertainty and implementation risk when compared with further deferral.

### ***Additions and enhancements between PPE valuation points***

8. The 2026-27 GAM includes clarification and refinement of guidance on the treatment of additions and enhancements to PPE between formal valuation points.

9. The updated guidance provides additional context on how such expenditure should be accounted for in the period it is incurred, and how it should be reflected in carrying values pending the next full valuation, consistent with IAS 16 and the revised FReM approach to valuation cycles.

10. This change responds to feedback from DHSC group bodies and auditors, who highlighted the need for clearer guidance in this area to support consistent application across the sector.

11. The 2026-27 GAM reaffirms that additions and enhancements to property, plant and equipment are initially recognised and measured at cost in accordance with IAS 16 as adapted by the FReM.

12. The guidance clarifies that, following the withdrawal of the requirement previously set out in IAS 16 paragraph 34, entities are not required to obtain a valuation solely because the fair value of an asset may differ from its carrying amount at the date it is brought into use. This applies equally to additions and enhancements recognised between formal valuation points.

13. For specialised assets measured using a depreciated replacement cost (DRC) basis, the GAM clarifies that additions and enhancements should normally continue to be held at cost (less impairment) until the next scheduled valuation. An earlier revaluation would only be expected where the addition or enhancement is so significant that it alters the valuation unit or the functional configuration underpinning the existing valuation, for example through the creation of a new functional block or a material change in service capacity.

14. For non-specialised assets measured at current value in existing use, the guidance clarifies that cost at the date the asset is brought into use can represent a reasonable proxy for current value, unless there is evidence to indicate that cost is not representative of market value of the addition.

15. DHSC has worked closely with HM Treasury to ensure that the GAM reflects the FReM requirements accurately while providing practical application guidance tailored to the health sector.

### ***Transfers by absorption***

16. Following updates to the FReM, the GAM guidance on transfers by absorption has been revised for 2026-27.

17. Previous GAM guidance on modified absorption accounting has been removed. This reflects the move to a standardised approach in the revised FReM, under which modified absorption accounting is no longer required.

18. The revised GAM guidance now focuses on explaining the application of the FReM's standardised approach to transfers by absorption, ensuring consistency in treatment across DHSC group bodies and alignment with central government reporting requirements.

### ***Other changes***

19. In addition to the changes outlined above, the 2026-27 GAM includes a small number of updates that will be rolled back into updates to the 2025-26 guidance. This includes the removal

of the previous requirement for Trade Union Facility Time reporting, following section 66 of the Employment Rights Act 2025, which removed the statutory basis for these disclosures.

20. The GAM also clarifies the treatment of revaluation reserve balances on transition to the cost model for intangible assets, confirming that any remaining revaluation reserve balance must be transferred to the general fund (or equivalent) when an entity transitions from the revaluation model to the cost model.

### ***Removal of ‘alternative site’: DHSC Group Accounting Manual 2028-29***

21. At FRAB 157 in November 2025, FRAB agreed that the option to use the ‘alternative site’ assumption would be removed from valuations commencing in 2028/29, with a transitional period until 2030/31. To have a consistent approach to financial flows, for DHSC group bodies we have signalled to mandate the removal of the alternative site assumption (where it is employed) in 2028/29. This remains consistent with the requirements of the FReM and is noted for FRAB’s information.

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

22. The high-level timetable for publication of the 2026-27 Manual is set out at Annex A.

23. The post-consultation draft of the Manual is now submitted to FRAB for comment and approval, allowing for publication during quarter one of the 2026-27 financial year.

### ***DHSC Group Accounting Manual 2026-27***

24. The draft 2026-27 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***

25. FRAB is asked to:

- note the proposed timetable for publication (Annex A),
- approve the draft Group Accounting Manual 2026-27 for publication.

### ***Annex A: Timetable for publication of the 2026-27 DHSC Group Accounting Manual***

Dec 25	2025-26 update and 2026-27 initial FReM published
Jan 26 – Feb 26	Consultation with key stakeholders and user community on draft GAM
Feb 26	Pre consultation GAM shared with FRAB

Mar 26	Post consultation amendments
Mar 26	2026-27 GAM submitted to FRAB for comment and approval
Mar – Apr 26	Post FRAB changes
May 26	2026-27 GAM published

***Annex B: Department of Health and Social Care Group Accounting Manual 2026-27 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 2026-27 clean version***

See separate document.

***Annex D: Department of Health and Social Care Group Accounting Manual 2026-27 tracked changes version***

See separate document. The tracked changes cover the changes made to the 2026-27 GAM