



Department  
of Health

# NHS Manual for Accounts 2013-14

2 Annual Report

May 2013

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# NHS Manual for Accounts

## 2013-14

### 2 Annual Report

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# Chapter 2 – Annual Report

## Introduction

- 2.1 NHS bodies are required to publish, as a single document, an annual report and accounts. This document includes:
- The annual report (including the directors' report, remuneration report and other public sector disclosures mandated by the FReM)
  - A statement of the Accounting Officer's responsibilities
  - A Governance Statement
  - Foreword to the accounts, referencing the relevant Accounts Direction
  - The primary financial statements
  - Notes to the accounts
  - The audit opinion and report.

## Accounting Officer's signature

- 2.2 The Accounting Officer shall sign and date the Annual Report, the Remuneration Report, the Governance Statement and the Statement of Financial Position. For the purposes of publication, the Accounting Officer/Chief Executive's signature on the Annual Report will also satisfy the requirement to sign the Remuneration Report, which is an integral part of the Annual Report.

## Summary financial information

- 2.3 Summary Financial Statements (SFS) may be produced as an addition to the full accounts and annual report – they cannot replace these documents. The annual report and SFS (if produced) must contain a prominent note that the financial statements might not contain sufficient information for a full understanding of the entity's financial position and performance. The note should say how the user might obtain the full accounts, and these must be provided on request, subject to a reasonable copying charge if the entity chooses. The summary data must also be followed by an auditors' statement as to whether, in their opinion, the summary data is consistent with the full financial statements.

## Annual Report

- 2.4 This guidance sets out the minimum content of the annual report. Beyond this however, the entity must take ownership of the annual report and ensure that additional information is included where necessary to reflect the position of the NHS body within

the community and give sufficient information to meet the requirements of public accountability.

- 2.5 The auditors must be given a copy of the annual report and, where applicable, summary financial statements, in sufficient time to carry out the required work before the completion of the auditor's opinion. Certain information contained in the remuneration report is subject to audit and will be referred to in the audit opinion and the remuneration report must be available at the start of the audit. Other quantitative aspects of the annual report are reviewed by auditors to ensure consistency with the annual accounts.
- 2.6 Where a NHS Trust has been authorised as a NHS Foundation Trust mid-year, an annual report and audited accounts must still be published for its final year, reporting transactions up to the date of authorisation. The application of absorption accounting (see Chapter 4) extends this principle to all closures of NHS bodies where functions are transferred to other public sector entities. The closing body will have to prepare an Annual Report for the year, along with Accounts and FMAs, as the successor body will only bring its own transactions in the year to account from the date of transfer.
- 2.7 The Annual Report consists of:
- A Directors' Report, based on the requirements of [Chapter 5 of Part 15 of the Companies Act 2006](#), and
  - A Remuneration Report based on [Chapter 6 of Part 15 of the Companies Act 2006](#)

## Sustainability Report

- 2.8 NHS bodies are required to produce a Sustainability Report (SR) as part of their Annual Report: this element of the Annual Report is not subject to audit. The Sustainability Development Unit at the Department has developed a standard reporting format for NHS bodies, and this should form the basis of the SR. Further guidance and support is available from the SDU at <http://www.sdu.nhs.uk/corporate-requirements/governance/reporting.aspx>. NHS bodies may also wish to refer to general HM Treasury guidance for the preparation of SRs at: [http://www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm).

## Directors' report

- 2.9 Auditors will review the Annual Report for consistency with the information in the financial statements. The main elements of the Directors' Report are:
- Details of the directors
  - The management commentary
  - Information on environmental, social and community issues, and:
  - Details of progress against agreed targets

## Details of the directors

2.10 The report will provide:

- the names of the Chairman and Chief Executive, and
- the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year
- (recommended) the names of the directors forming an audit committee or committees
- details of company directorships or other significant interests held by directors where those companies are likely to do business, or are possibly seeking to do business with the NHS where this may conflict with their managerial responsibilities.

2.11 Each director must state that as far as he/she is aware there is no relevant audit information of which the NHS body's auditors are unaware and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the NHS body's auditors are aware of that information.

## Management Commentary

2.12 The Management Commentary is based on the disclosure requirements of [s417](#) of the Companies Act 2006, taking into consideration the Accounting Standards Board's recommendations in the Reporting Statement (RS) "Operating and Financial Review" (OFR).

2.13 The RS was originally issued as Reporting Standard 1 but was repealed in 2006 and reissued as a Reporting Statement that provides guidance on best practice. HM Treasury decided that all bodies covered by the FReM should follow the RS. FReM Chapter 5 refers to a management commentary: an OFR prepared as required in the RS will satisfy the requirements set out by HM Treasury for the management commentary.

2.14 The RS makes clear the detailed content of the OFR must be decided by the directors. It is therefore the responsibility of the directors of each NHS body to ensure that the OFR includes reference to current performance and policy targets. The OFR should include details of performance that are not reported in the annual accounts including useful non-financial and financial information.

2.15 The objective of the OFR is to prepare a balanced and comprehensive analysis consistent with the size and complexity of the business of:

- development and performance of the business of the entity during the year
- position of the entity at the end of the year
- main trends and factors underlying the development, performance and position of the business of the entity during the year, and

- the main trends and factors which are likely to affect the entity's future development, performance and position.

2.16 There are seven principles underlying the OFR:

- it shall set out an analysis of the business through the eyes of the board of directors (this shall be taken to be the NHS body's governing body);
- it shall focus on matters that are relevant to the members. In the context of the public sector 'members' shall be interpreted to be all users of accounts;
- it shall have a forward looking orientation, identifying those trends and factors relevant to the members' assessment of the current and future performance of the business and the progress towards the achievement of the long term business objectives. Where elements cannot be objectively verified but have been made in good faith, the directors may wish to include a statement to treat such elements with caution and explain the uncertainties underpinning such information. Emphasis should be placed on factors affecting development, performance and position of the NHS body during the year and those likely to have an effect on future years. Details of the impact on future performance of significant events after the balance sheet date should be included. The OFR should comment on predictions made in previous years disclosing whether or not these have been borne out by events;
- it shall complement as well as supplement the annual accounts in order to enhance the overall disclosure. This will include providing additional financial and non-financial information about the NHS body and its performance that is not reported in the annual accounts. NHS bodies may also provide additional explanations of amounts recorded in the annual accounts, explaining the conditions and events that shaped the information. If information included in the annual accounts has been adjusted for inclusion in the OFR this must be stated and a reconciliation to the information in the annual accounts must be provided;
- it shall be comprehensive and understandable. The requirement to be comprehensive does not mean that the OFR shall cover all possible matters, the objective is quality, not quantity of content. Directors will need to consider the key issues that will provide information that is focused and relevant. The inclusion of too much information may obscure judgements and will not promote understanding. Where additional information is discussed elsewhere in the annual report or in the annual accounts this should be cross-referenced. Where relevant, directors will explain the source of the information and the degree to which it is objectively supportable to allow the reader to assess the reliability of the information presented;
- it shall be balanced and neutral, dealing even-handedly with both good and bad aspects; and
- it shall be comparable over time. Directors should also consider including information that is comparable with reviews prepared by other NHS bodies.

2.17 The RS stresses that the framework and headings it describes are not a template and it is for the preparers of the OFR to consider how best to structure the review to ensure that the principles have been addressed. That said, it sets out a number of key elements which should be discussed.

### Nature, objectives and strategies of the business

2.18 The OFR shall provide the reader with an understanding of the NHS body, including a description of:

- the location and type of facilities provided
- the structure of the business, its main services and user
- the external environment in which it operates. The discussion on the external environment may include reference to the competitive position and markets for the NHS, and the legal, regulatory, macro-economic and social environment that influence the business
- A brief history of the NHS body and its statutory background. Where a new NHS body has been created as a result of a merger background information should include;
  - the parties that have come together to form the merged NHS Body
  - the effective date of the merger
  - the need for any debt write-off and
  - the benefits expected to accrue from the merger.

2.19 The OFR shall discuss the objectives of the NHS body over the long term, the time scale used being dependent on the type of objective. Objectives will be defined in terms of non-financial and financial performance. The OFR shall set out the directors' strategies for achieving the objectives of the NHS body and discuss the effect of past and current actions undertaken. This may include the Key Performance Indicators (KPI), both financial and non-financial, used by the directors to assess progress against their stated objectives. The KPIs disclosed shall be those that the directors judge are effective in measuring the delivery of their strategies and managing their business. Comparability will be enhanced if the KPIs disclosed are accepted and widely used within the NHS.

2.20 For each KPI disclosed in the OFR:

- the definition and calculation method shall be explained
- its purpose shall be explained
- the source of underlying data shall be disclosed and any assumptions explained
- quantification or commentary on future targets shall be provided

- where information from the annual accounts has been adjusted for inclusion in the OFR, that fact shall be highlighted and a reconciliation provided
- where available, corresponding amount for the previous year shall be disclosed, and
- any changes to KPIs shall be disclosed, including calculation method used compared to previous years and any changes to the accounting policies.

### **Development and performance of the business for the period under review and in the future.**

2.21 The OFR shall describe the significant features of the development and performance of the NHS body in the year, focusing on those areas that are relevant to an understanding of the development and performance as a whole. The OFR shall analyse the main trends and factors that directors consider likely to impact on the future, this could include the development of new services or the benefits expected from capital investment. The OFR should discuss the current level of investment expenditure, planned future expenditure and how this investment will assist the NHS body to achieve its objectives.

### **The resources, principal risks and uncertainties and relationships that may affect the entity's long-term value.**

2.22 The OFR shall include a description of the resources available to the NHS body and how they are managed. The OFR shall set out the key strengths and resources, tangible and intangible, which will assist it in the pursuit of its objectives and, in particular, those items that are not reflected in the balance sheet. The review will disclose strategic, commercial, operational and financial risks where these may significantly affect the NHS body's strategies and development. The directors' policy for managing principal risks shall be disclosed. The OFR shall include information about significant relationships with stakeholders which are likely, directly or indirectly, to influence the performance of the NHS body. For example, relationships with patients, suppliers, employees and contractors, also the NHS body's broader impact on society and the communities affected by its activities. Strategic alliances with other entities can also affect the performance of the NHS body, for example joint initiatives with local authorities.

### **Position of the business**

(including a description of the capital structure, treasury policies and objectives and liquidity of the entity both in the period under review and in the future)

2.23 The analysis, whilst based upon the annual accounts, shall comment on the events that have impacted the financial position of the NHS body during the year, and factors that are likely to affect the financial position going forward. The OFR shall highlight accounting policies focusing on those which have required the particular exercise of judgement and which have changed during the year. The purpose and effect of major

financing transactions undertaken up to the date of approval of the annual accounts shall be explained. The effect of interest costs on outturn and the potential impact of interest rate changes shall also be discussed. Discussions on cash flow shall supplement information provided in the annual accounts by, for example, commenting on any special factors that have influenced cash flows in the financial year and those that may have a significant effect on future cash flows.

### Carrying amount vs. market value of land.

- 2.24 The difference (with such precision as is practicable) between the carrying amount and market value of interests in land, where in the opinion of the directors, it is of such significance that it needs to be drawn to attention. If the market values of the NHS body's interests in land are known then these should be used to determine whether material differences exist. However, NHS bodies should not engage District Valuers solely for the purpose of determining market values for disclosure purposes.

### Pension Liabilities.

- 2.25 An indication of how pension liabilities are treated in the accounts and a reference to the statements of the relevant pension scheme. A cross-reference to the accounting policy note in the accounts and the remuneration report will normally be sufficient.

### Severance payments

- 2.26 HM Treasury has issued specific guidance on severance payments (i.e. payments that are not made under either legal or contractual obligation): this is now included in HM Treasury's *Managing Public Money*. Special severance payments when staff leave public service employment should be exceptional. They always require HM Treasury approval because they are usually novel, contentious and potentially repercussive: **NHS bodies have no delegated authority to make such payments unless so approved.** Further guidance on losses and special payments is provided in separate guidance.
- 2.27 Nothing in the RS requires the disclosure of information about impending developments or about matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the NHS body.

### Information on environmental, social and community issues

- 2.28 Further information on the kinds of information to be provided in respect of environmental and social and community issues can be found in the FReM website.

### Sustainability Report:

- 2.29 (see 2.8 above). Where NHS bodies already prepare a separate Sustainability Report to complement the Annual Report and Accounts the OFR should cross-refer to HM Treasury guidance on sustainability at [http://www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm)

### Emergency Preparedness

2.30 NHS organisations should ensure that they have in place a Major Incident Plan that is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005 and all associated guidance.

### Principles for Remedy

2.31 HM Treasury's *Managing Public Money* contains guidance at Annex 4.14 about the steps public bodies should take where they have caused injustice or hardship by maladministration or service failure. The Parliamentary and Health Service Ombudsman published a revised *Principles for Remedy* in May 2010, setting out six principles that represent best practice and are directly applicable to NHS procedures.

2.32 NHS bodies are required to include a reference in their Annual Reports to *Principles for Remedy* and state to what extent such principles have been adopted by the body and form part of its complaints handling procedure.

### Better Payments Practice Code.

2.33 [Also the CA 1985 (miscellaneous accounting amendments) regulations 1996. SI No. 189 of 1996]:

- A narrative summary of the Confederation of British Industry (CBI) Better Payments Practice code
- Quantitative evidence of compliance with that code. Evidence can be provided as follows:
- Where the annual report incorporates the full annual accounts, the annual report must, as a minimum, state "details of compliance with the code are given in note x to the accounts".

### Prompt Payments Code

2.34 Disclose whether or not the body has signed up to the Code.

### Employee consultation

2.35 The action taken to maintain or develop the provision of information to, and consultation with, employees.

### Disabled employees

2.36 The policy in relation to disabled employees.

### Equal opportunities

2.37 The policy on equal opportunities.

### Sickness absence data

2.38 This should be included in the Annual Report, but for consolidation purposes, a table has been added to the Employee Benefits Note in the consolidation schedules. Detailed guidance on the content and calculation of the sickness absences disclosure has been added to accounts completion and summarisation schedules guidance.

### External audit

- 2.39 The name of the NHS body's external auditor and disclosure of the cost of work performed by the auditor in respect of the reporting period. Disclosure should provide sufficient information about the nature and extent of services provided to allow readers to make an informed judgement as to whether the potential for conflicts of interest has been satisfactorily addressed by the auditor and by those charged with the governance of the NHS body. Cost should be disclosed under the following categories:
- Audit services i.e. the statutory audit and services carried out in relation to the statutory audit e.g. reports to the Department of Health
  - Further assurance services – this refers to services unrelated to the statutory audit where the NHS body has discretion whether or not to appoint an auditor e.g. review of achievement of performance indicators
  - Other services – any other services provided.
- 2.40 In relation to the provision of non-audit services, narrative disclosures should be provided to explain the NHS body's policy for ensuring that the auditor's independence has not been compromised.
- 2.41 Auditors may undertake statutory activities under the Code of Practice that are not related to the audit of the NHS body's financial statements e.g. value for money work. The cost of this work should be disclosed under 'audit services'. Disclosure should set out the basis for such work and its nature and extent.

#### Disclosure of "serious untoward incidents"

- 2.42 Incidents involving data loss or confidentiality breaches. Details of the disclosures required are given in Annex A of Sir David Nicholson's letter to NHS Chief Executives and Finance Directors, 20 May 2008, "*Information Governance Assurance Programme*".
- 2.43 A statement that the entity has complied with HM Treasury's guidance on setting charges for information is required. This guidance is available as [Appendix 6.3 to Treasury's MPM](#). In the unlikely event that an entity has not complied with this guidance (e.g. on commercial sensitivity grounds), DH should be consulted.

#### Details of progress against agreed targets

- 2.44 Completion of the financial returns will generally meet the requirement to disclose performance against financial targets.
- 2.45 Entities should consider what disclosures of progress against other delivery objectives are appropriate.

### Remuneration Report

- 2.46 The FReM requires that a Remuneration Report shall be prepared by NHS bodies, providing information under the headings in [SI 2008 No. 410](#) to the extent that they are relevant. (FReM paras 5.2.16 et seq refer) The definition of "Senior Managers" is:

*'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the*

*decisions of the entity as a whole rather than the decisions of individual directorates or departments.'*

- 2.47 The Chief Executive should be asked to confirm whether this covers more than the executive and non-executive directors. It is usually considered that the regular attendees of the entity's board meetings are its senior managers – usually between nine and twelve individuals in total.
- 2.48 For “cluster” arrangements: the remuneration report should include remuneration details of those senior managers holding a position in the entity, showing the *entity's* share of the relevant components of remuneration. In addition, the senior manager's total salary (eg for the cluster-wide work performed) should be shown separately.

### Pay Multiples

- 2.49 Entities must report the mid-point of the banded remuneration of the highest paid director, whether or not this is the Accounting Officer or Chief Executive, and the ratio between this and the median remuneration of the reporting entity's staff. The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis. Further guidance can be found at [http://www.hm-treasury.gov.uk/d/frem\\_hutton\\_review\\_fairpay\\_additional\\_guidance\\_update\\_2012-13.pdf](http://www.hm-treasury.gov.uk/d/frem_hutton_review_fairpay_additional_guidance_update_2012-13.pdf)
- 2.50 NHS organisations should include, in the Remuneration Report, a narrative highlighting the reasons for any variance in year-on-year multiples. This is because:
- it describes the purpose of including the ratios, and what they mean;
  - it ensures transparency in executive remuneration;
  - it allows the public to hold government to account for their use of public funds;
  - it provides departments an opportunity to monitor their own remuneration and note any adverse or anomalous trends.
- 2.51 The narrative should be concise and clearly linked to the figures disclosed in the remuneration report, and use terms that are easily understandable by the public. The narrative should be introduced by the following text:
- “Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.
- The banded remuneration of the highest paid director in [the organisation] in the financial year 201X-1Y was £xx (201W-1X, £xx). This was – times (201W-1X,-) the median remuneration of the workforce, which was £xx (201W-1X, £xx).
- In 201X-1Y, xx (201W-1X, xx) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £xx to £xx (201W-1X £xx-£xx)
- Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer

pension contributions and the cash equivalent transfer value of pensions.”

- 2.52 It should then be followed by a concise and factual explanation of the changes on either side of the ratio, taking into account where relevant:
- Adjustment to the number or composition of the general workforce (e.g. through restructuring, downsizing and outsourcing);
  - A change to the remuneration of the most highly paid individual. Departments should note that this may not necessarily be an increase to base pay, but a change in taxable expenses or allowances. Where the allowance is temporary (e.g. relocation allowance), departments should note this and its likely impact on the pay multiple.
  - A change of the most highly paid individual (e.g. a new appointment, or the previously highest paid post having been vacated and/or eliminated); and
  - The impact of any pay freeze on the multiple (e.g. senior pay freeze that does not affect the majority of staff).
- 2.53 The above list is not exhaustive and should be treated only as general guidance. It is not intended to act as a checklist of justifications for higher multiples.
- 2.54 Where there is a cluster or sharing arrangement, it is cost to the entity of an individual that identifies them as “highest paid” and not the total of that individual’s remuneration. ***Termination benefits must be excluded from the calculation of the highest-paid Director’s salary to avoid distorting the ratio.***

## Disclosure

- 2.55 There is a presumption that information about named individuals will be given in all circumstances. The Remuneration Report shall disclose information under the standard headings to the extent that they are relevant. Non-disclosure is acceptable only where publication would:
- Prejudice the rights, freedom or legitimate interests of the individual; or
  - Cause or be likely to cause substantial damage or substantial distress to the individual or another, and that damage or distress would be unwarranted.
- which for entities covered by the requirements of this Manual include grounds of national security or where an individual may be at risk if his or her name is disclosed.
- 2.56 In other cases, it would be for the staff member to make a case for non-disclosure, which should be considered by the employer on a case-by-case basis. Where non-disclosure is agreed, the fact that certain disclosures have been omitted should be disclosed.
- 2.57 The remuneration report must be signed and dated by the Accounting Officer or Chief Executive. For the purpose of publication, the Accounting Officer/Chief Executive’s signature on the Annual Report will also satisfy the requirement to sign the Remuneration Report, which is an integral part of the Annual Report.

## Remuneration Report and Exit packages disclosure (detail)

- 2.58 The tables for use as part of the Remuneration Report are reproduced below in [Annex 1](#). HM Treasury also requires the disclosure of exit package information in the format set out in Chapter 5 (Accounts example). The exit packages disclosure may be included in NHS bodies' Annual Reports, but (as it is data that needs to be consolidated into the DH Resource Account) summarisation schedules include a table for the disclosure, and this is mirrored in the accounts format. The figures to be disclosed here relate to exit packages agreed in the year. The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been accrued in a previous period. The data here cannot therefore be agreed with other staff cost and expenditure notes in the accounts. Additional disclosure is required here where exit packages exceed contractual amounts and are outside the terms of the normal pension scheme provisions. Such payments will require HM Treasury approval before they are offered.
- 2.59 Exceptionally, where the Board has agreed something short of full disclosure, the fact that certain disclosures have been omitted should be disclosed.
- 2.60 The figures relate to all those individuals who hold or have held office as a senior manager of the NHS body during the reporting year. It is irrelevant that:
- an individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment), or
  - an individual's title as senior manager included a prefix such as "temporary" or "alternate", or
  - an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.
- 2.61 The Remuneration Report will contain the following information where relevant:
- (a) Details of the membership of the Remuneration and Terms of Services Committee.
  - (b) Statement of the policy on the remuneration of senior managers for current and future financial years.
  - (c) Explanation of methods used to assess whether performance conditions were met and why those methods were chosen. If relevant, why the methods involved comparison with outside organisations.
  - (d) Explanation of relative importance of the relevant proportions of remuneration which are, and which are not, subject to performance conditions.
  - (e) Summary and explanation of policy on duration of contracts, and notice periods and termination payments.
  - (f) Details of the service contract for each senior manager who has served during the year:
    - date of the contract, the unexpired term, and details of the notice period;

- provision for compensation for early termination; and
- other details sufficient to determine the entity's liability in the event of early termination.

(g) Explanation of any significant awards made to past senior managers.

For each senior manager who served during the year the following three items (h; i; and j) of financial data should be given, in tabular form. The Annex gives the pro-forma tabular format, including bandings. This information is subject to audit:

(h) Salaries and other remuneration

**Name and title:** If the senior manager was appointed or resigned during the year, the dates of holding of office should be shown.

**Salary and other remuneration:** this covers both pensionable and non-pensionable amounts. The amounts paid or payable by the NHS body in respect of the period the senior manager held office must be shown. Where, e.g. an individual held a contract of employment for the entire financial year but was only a senior manager for six months, it is the remuneration for six months which should be shown. Where there has been overlap in a post, e.g. where there have been two finance directors for a month, both must be shown, together with the date the post was started or vacated.

**Salary includes:**

- all amounts paid or payable by the NHS body including recharges from any other health body
- the gross cost of any arrangement whereby a senior manager receives a net amount and an NHS body pays income tax on their behalf
- any financial loss allowances paid in place of remuneration
- geographical allowances such as London weighting, and
- any other allowance which is subject to UK taxation and any ex-gratia payments.

**Salary excludes:**

- recharges to any other health body
- reimbursement of out-of-pocket expenses
- reimbursement of "travelling and other allowances" (paid under determination order) including home to work travel costs
- employers' superannuation and National Insurance contributions
- performance related bonuses (these are recorded separately)
- golden hellos and compensation for loss of office, and
- any amount paid which the director must subsequently repay.

**Other remuneration:** Payments should be shown in an additional column where a senior manager holds two contracts of employment, or some other distinction between duties as a director and other duties can be soundly established.

**Compensation for loss of office should be shown separately, including a description of the compensation payment and details of the total amounts paid .**

**Performance related bonuses:** Bonuses *or bonuses payable* should be disclosed separately from salary in bands of £5,000. Amounts paid to medical consultants under the national clinical excellence reward scheme (<http://www.dh.gov.uk/ab/ACCEA/NationalAwards/index.htm>) should be disclosed as bonuses

**Benefit in kind:** the estimated value of non-cash benefits.

If a payment for compensation for loss of office paid or receivable has been made under the terms of an approved Compensation Scheme, the fact that such a payment has been made and details of the amounts paid;

The cash equivalent transfer value is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Some of the information required in the senior managers' pension table will be provided by the NHS Business Services Agency – pensions division. Detailed instructions for obtaining this information will be published separately in detailed guidance outside the manual,.

Where the NHS body has senior managers who are members of a different pension scheme the disclosure information should be requested in good time from the scheme.

- (i) Details of compensation payable to former senior managers [this information is subject to audit].
- (j) Details of amounts included above which are payable to third parties for services of a senior manager [this information is subject to audit].

## Off-payroll engagements

2.62 From 2012-13 HM Treasury requires disclosure of certain remuneration arrangements whereby individuals are paid other than the usual payroll methods under which tax is deducted under PAYE. PES(2012)17 *Annual Reporting Guidance 2012-13* details the form of disclosure and the types of contractual arrangements falling to be reported. A FAQ on the DH "finman" site dated 12 March 2013 contains a copy of the [PES requirement and associated DH guidance](#).

2.63 The disclosure should be included in the Annual report and is not subject to audit.

## Statement of Accounting Officer's Responsibilities

- 2.64 The Accounting Officer should explain his/her responsibility for preparing the financial statements in a statement that should be positioned after the Annual Report and before the Governance Statement.
- 2.65 Pro-forma statements of the Accounting Officer's responsibilities and Governance Statements are posted to the Finance Manual website with the pro-forma audit certificates each year.
- 2.66 A model Statement of Accounting Officer's Responsibilities is given in Annex 1 of the FReM.

## Governance Statement

- 2.67 In preparing the statement, the Accounting Officer should reflect the particular circumstances in which the entity operates, and adapt the proforma accordingly. The full Governance Statement need not be included where summary accounts are provided with the annual report, as the full Governance Statement is available with the full accounts. The annual report and summary accounts must state prominently how the full Governance Statement may be obtained.
- 2.68 Pro-forma statements of the Accounting Officer's responsibilities and Governance Statement are posted to the DH website with the pro-forma audit certificates each year.
- 2.69 An model outline for the [2012-13 Governance Statement](#) (for NHS Trusts, PCTs and SHAs) is available on the DH website on GOV.UK. Updates for 2013-14 will also be published there.

## Primary Financial Statements and Notes

- 2.70 These are dealt with in the Manual for Accounts Chapter 4.

## Audit Opinion and Report

- 2.71 Chapter 1 outlines the audit process and requirements: arrangements differ between organisation types.

## Annex 1 - Salary and Pension disclosure tables

### Salaries and allowances

Name and title	2013-14				2012-13			
	Salary (bands of £5,000)  £000	Other Remunerati on (bands of £5000)  £000	Bonus Payments (bands of £5,000)  £000	Benefits in kind (Rounded to the nearest £00)  £00	Salary (bands of £5,000)  £000	Other Remunerati on (bands of £5000)  £000	Bonus Payments (bands of £5,000)  £000	Benefits in kind (Rounded to the nearest £00)  £00

[Where more than one individual occupied the same post over the year details must be disclosed here

\*Note: £ hundreds are used for the benefits in kind disclosure]

### Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)  £000	Real increase in pension lump sum at aged 60 (bands of £2,500)  £000	Total accrued pension at age 60 at 31 March 20xx (bands of £5,000)  £000	Lump sum at age 60 related to accrued pension at 31 March 20xx (bands of £5,000)  £000	Cash Equivalent Transfer Value at 31 March 20xx  £000	Cash Equivalent Transfer Value at 31 March 20xx  £000	Real increase in Cash Equivalent Transfer Value  £000	Employer's contribution to stakeholder pension  £00

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure

pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real Increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.