



Department
of Health

Department of Health Group Accounting Manual 2017-18: Consultation Exercise

January 2017

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Department of Health Group Accounting Manual 2017-18

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1. Overview

All bodies within the Department of Health accounting boundary (DH group bodies) must publish annual reports and accounts. Clear and transparent reporting helps the entity – as well as the users of the entity’s annual report and accounts – understand and scrutinise the year’s operations and outcomes.

The Department of Health (and Monitor as the regulator for NHS foundation trusts, operating as NHS Improvement) has powers to direct the form in which the annual report and accounts should be prepared, the information that should be included, and the methods and principles that should be followed in their preparation. In determining the form and content of the accounts we must, by statute, aim to ensure the accounts present a true and fair view.

In order to achieve this, the department issues a group wide annual report and accounting manual every year, the *‘Department of Health Group Accounting Manual’* (DH GAM), containing the requirements DH group bodies need to follow when preparing their annual reports and accounts. Additionally, NHS Improvement separately publish the annual reporting requirements for NHS foundation trusts via the *‘NHS foundation trust annual reporting manual’* (FT ARM). The FT ARM contains the formal accounts direction but foundation trusts will follow the DH GAM for accounts requirements.

The DH GAM requires DH group bodies to follow the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and the HM Treasury Financial Reporting Manual (FReM). Therefore, the DH GAM only includes detailed accounting guidance where DH group bodies are:

- required to depart from IFRS or the FReM
- required to make specific disclosures in addition to IFRS and the FReM, or
- faced with particular circumstances that IFRS or the FReM do not address.

Updates to the DH GAM follow the same principle and, on that basis, are required where IFRS or the FReM have changed or when DH group bodies are required to make specific extra disclosures.

Some content for 2017-18 is not yet available, such as Treasury Discount Rates. The draft DH GAM indicates where this is the case, and the manual will be revised later in the year once this content is known.

2. This consultation

This consultation relates to the draft DH GAM for 2017-18. The consultation period will run from 26 January 2017 until 24 February 2017. The 2017-18 DH GAM will be published in April 2017, once we have received and reviewed consultation responses. It is subject to approval by the

Financial Reporting Advisory Board (FRAB), and any changes will be made in collaboration with the relevant sector finance leads.

This document summarises the principal changes introduced in the draft DH GAM 2017-18. A table of requirement and format changes is also included within the draft DH GAM.

Please send in your responses by **5pm on Friday 24 February 2017** to the appropriate mailbox listed in section 5, with 'GAM 2017-18 Consultation Response' in the subject header.

3. Principal changes proposed in 2017-18

There are no significant changes to accounting requirements in 2017-18. Changes to the DH GAM are therefore focussed on improving the structure of the document and the guidance contained within it. Additionally, there are some reporting changes relevant specifically to NHS providers.

A. Restructuring of chapters

This section deals with changes to the structure of the DH GAM, intended to give a more logical flow and group together sections with a similar purpose.

The following table summarises how the structure of the DH GAM has changed compared with 2016-17:

2017-18 GAM	2016-17 GAM	Change
1) Introduction	Introduction	Now deals specifically with mechanical aspects of the document. Details of financial reporting framework moved to Chapter 2.
2) Financial reporting framework	1) Statutory requirements for the Annual Report and Accounts	Collects guidance on financial reporting framework, previously appearing in multiple chapters. Annex on changes of status moved to Chapter 4.
3) Form and content of the Annual Report	2) The Annual Report	No significant change.

	3) Financial Reporting Requirements	Included in new Chapter 2. Annexes on applicability of standards and departures from the FReM moved to Chapter 4.
4) Accounting principles and policies		Collects principles based accounting guidance, previously appearing in multiple chapters.
5) Form and content of the Financial Statements		Collects guidance on content and disclosure, previously appearing in multiple chapters.
	4) Financial Statements: Accounting Policy and application of standards	Divided between new Chapters 4 and 5.
	5) Statement of Comprehensive Income / Net Expenditure (SoCI/SoCNE)	Divided between new Chapters 4 and 5.
	6) Statement of Financial Position (SoFP)	Divided between new Chapters 4 and 5.
	7) Other Statements and disclosure requirements	Divided between new Chapters 4 and 5.

These changes have been achieved by rearranging the existing content of the DH GAM, with some new text to place relocated sections in context. Although some efforts have been made to make the document more concise, substantially all of the guidance in the 2016-17 document has been retained.

The most significant change is the separation of technical guidance on the application of accounting principles from guidance on disclosure requirements and accounts content. This allows a more straightforward approach to describing what DH group bodies should report, without this branching off into discussions of related accounting concepts. The separate guidance on these concepts can then be more closely linked to the underpinning accounting standards.

Consultation question 1:

Do you have any comments on the revised structure of the DH GAM and are you able to find guidance that was in the 2016-17 document?

B. Harmonisation of NHS provider reporting and data collection

This section refers to reporting requirements and data collection arrangements for NHS trusts and foundation trusts.

From 2017-18, NHS Improvement will take over responsibility from DH for collecting accounts data from NHS trusts. As part of this, NHS Improvement plans to introduce a common data collection process for all NHS providers and has identified scope to harmonise reporting requirements for NHS trusts and foundation trusts in a number of areas.

The 2017-18 DH GAM therefore no longer refers to the Financial Monitoring and Accounts (FMA) forms previously used by NHS trusts and instead refers to common arrangements for all NHS providers. Similarly, some reporting requirements that were previously specific to NHS foundation trusts have now been generalised to include NHS trusts.

Consultation question 2:

Do you have any comments on our proposal to harmonise reporting requirements and data collection arrangements for NHS trusts and foundation trusts?

C. Unitary payment for PFI, LIFT and other service concession arrangements – NHS provider disclosures

This section refers to the requirement for NHS providers, set out in paragraph 5.163, to disclose details of unitary payments for PFI, LIFT and other service concession arrangements.

The requirement to disclose a breakdown of the elements of unitary payments for PFI, LIFT and other service concession arrangements previously applied only to NHS foundation trusts. From 2017-18, it is proposed to extend this to include NHS trusts, thereby ensuring all NHS providers report on a consistent basis.

Consultation question 3:

Do you have any comments on our proposal to extend the disclosure on unitary payments to include NHS trusts?

D. Guidance on laying accounts in Parliament

This section refers to changes to Chapter 2 Annex 4, which provides guidance on laying accounts in Parliament. This has been shortened compared with 2016-17, with a more detailed guidance document proposed to be published separately.

The 2016-17 DH GAM contained a detailed annex providing guidance on the process for laying accounts in Parliament. This contained procedural guidance that was arguably outside the scope of the DH GAM. Additionally, it is expected that Parliament will issue updated guidance on laying 2017-18 accounts after the publication of the 2017-18 DH GAM.

It is therefore proposed to move the more procedural elements of the previous annex into a separate document and publish this alongside the DH GAM, with a link from the remaining annex. As well as removing non-accounting guidance from the DH GAM, this will also allow the separate guidance to be updated independently, in line with guidance issued by Parliament.

Consultation question 4:

Do you have any comments on the proposal to move procedural guidance on laying accounts in Parliament to a separate document?

E. Mandatory content and disclosures specified in DH GAM

This section refers to Chapter 5, which sets out the required form and content of financial statements. This now lists specific headings that are mandatory, and must appear in primary statements and supporting notes as indicated.

NHS England and NHS Improvement make example formats for financial statements available to bodies in their respective sectors, but these do not form part of the DH GAM. Where DH expects DH group bodies to follow a common reporting format, this is now specified explicitly in the DH GAM. This includes disclosure notes, and headings in primary statements and supporting notes. These are generally intended to meet requirements specified by central government, including HM Treasury, or to report on areas of business specific to the DH group. Where no headings are specified, entities have discretion to select the most appropriate format for reporting, although they must still ensure they collect data in sufficient detail to populate the headings set out in summarisation schedules. Entities are not expected to include headings for immaterial amounts.

As a result of including these requirements in the text of the DH GAM, entities are no longer directed to refer to example accounts formats, although these remain available as an aid.

Consultation question 5:

Do you have any comments on the proposals to specify mandatory reporting requirements in the text of the DH GAM?

F. Other changes

The following minor changes should be noted:

- Chapter 4 Annex 1 'Standards and applicability to DH group' updated in line with current FReM adaptations and interpretations. Additional guidance text removed and, where necessary, included in main body of Chapter 4.
- Guidance on prior period adjustments (paragraphs 4.33 to 4.39) redrafted for clarity, with no change to underlying principles.
- Improved guidance on revaluations and impairments (paragraphs 4.88 to 4.92 and 4.107 to 4.113), reflecting FReM adaptation on treatment of impairments.

- Clarification (paragraphs 5.128 to 5.130) that relevant sections of cash flow statement should be adjusted for movements in payables and receivables not passing through the SoCNE/SoCI.
- Guidance added (subject to confirmation) on income from the Sustainability and Transformation Fund.
- Example accounting policies included as an annex (Chapter 5 Annex 1) to the GAM.

Consultation question 6:

Do you have any comments on the other changes listed or any other amendments?

Consultation question 7:

Do you have any general comments on the draft DH GAM?

4. Summary of Consultation questions

- 1) Do you have any comments on the revised structure of the DH GAM and are you able to find guidance that was in the 2016-17 document?
- 2) Do you have any comments on our proposal to harmonise reporting requirements and data collection arrangements for NHS trusts and foundation trusts?
- 3) Do you have any comments on our proposal to extend the disclosure on unitary payments to include NHS trusts?
- 4) Do you have any comments on the proposal to move procedural guidance on laying accounts in Parliament to a separate document?
- 5) Do you have any comments on the proposals to specify mandatory reporting requirements in the text of the DH GAM?
- 6) Do you have any comments on the other changes listed or any other amendments?
- 7) Do you have any general comments on the draft DH GAM?

5. Responding to the consultation

We are keen to hear your views on the details of the proposals. The draft DH GAM is published on the Department of Health Finance Publications section of GOV.UK.

Please send responses in the first instance to the contact below, with 'GAM 2017-18 Consultation Response' in the subject header:

NHS Trusts: NHSI.TFMSqueries@nhs.net

NHS foundation trusts: FT.accounts@improvement.nhs.uk

NHS commissioners: England.yearendaccounts@nhs.net

Other Arm's Length bodies: DH_GAM@dh.gsi.gov.uk

Audit firms: DH_GAM@dh.gsi.gov.uk

Finance sector leads will consolidate queries for their sectors, and provide a consolidated list of responses to the department. Consultation responses must be sent to the contacts above by the closing date of **5pm on Friday 24 February 2017**.