



# Response to the consultation on the *Group accounting manual 2023/24*

## Introduction

The *Group accounting manual 2023/24* (the GAM) was issued for consultation in February 2023<sup>1</sup>. There is one major change proposed for 2023/24 – the application of IFRS 16 liability measurement principles to private finance initiatives (PFI)/ public private partnerships (PPP),

The consultation also asks for other comments on the GAM so the HFMA has taken the opportunity to review the document in detail and raise minor issues identified through discussion with members.

## Response

**Do you have any further comments regarding the HM Treasury initial guidance relating to transition and subsequent measurement of PPP liabilities in the 2023/24 FReM?**

We have no comments in respect of HM Treasury guidance regarding PPP liabilities.

**Do you have any comments regarding the content of the guidance currently in the GAM relating to the measurement of PPP liabilities?**

There are some parts of the GAM where the guidance could be made clearer:

- Some context in paragraph 4.457 would be helpful to make it clear that the arrangements for valuing the liability have changed in 2023/24 and that the following paragraphs set out the new arrangements. It seems a little odd to refer to budgeting without reference to the change in accounting arrangements.
- A subheading before paragraph 4.446 would be useful in this section to allow the user to readily identify new requirements for 2023/24.
- The change to the accounting policy paragraph 1.19.2 (page 324) is not clear. It seems that the accounting policy in relation to the PFI asset is different to the 2022/23 GAM, when the change in 2023/24 relates to the measurement of the liability.

<sup>1</sup> DHSC, *Group accounting manual 2023/24: consultation exercise*, February 2023



## **Do you have any comments regarding the proposed updates DHSC is planning to make to the DHSC PFI model to incorporate IFRS 16 measurement principles?**

We wish it to be noted that NHS bodies will need significant time and support to apply these principles to their specific PFI arrangements and implement the necessary accounting entries. The delay of a year while the practical changes are made to the model are welcome, but it is important that the necessary information is available as soon as possible in 2023/24 to allow for adoption of the new arrangements.

## **Do you have any comments regarding the reporting updates included in the January 2023 update to the 2022/23 GAM?**

We do not have any comments on the January 2023 updates, but we do have some suggestions for the year-end update to the GAM 2022/23. They mostly relate to the part year accounts for CCGs and ICBs:

- We do not believe prior-year comparatives should be included in ICBs' note on the mental health investment standard, as described in paragraph 3.28 of the 2022/23 GAM. It might (in theory) be possible for ICBs to aggregate the mental health spend and programme spends of the previous, legacy CCGs for comparative purposes, but they will still be comparing nine months' expenditure in 2022/23 with 12 months' prior-year comparatives in 2021/22.
- Paragraph 3.124(h)(ii) discusses the trade union facility time disclosure and its applicability if the period of the annual report for a demising trust is less than seven months. We would welcome clarity as to the applicability of this exemption to demising CCGs. On one hand, CCGs only operated for three months in 2022/23, on the other hand, the GAM specifically states 'trusts'.
- Paragraph 3.9 requires comparative information for all primary statements. Specific reference to ICBs and CCGs part-year accounts and arrangements for prior period comparatives would be helpful.
- Paragraph 3.118 should include guidance on the impact part-year accounts will have on fair pay disclosures.
- In respect of pension disclosures in the remuneration and staff report, the Business Services Authority (BSA) cannot provide cash equivalent transfer values as at 30 June 2022. While the GAM (paragraph 3.147) references the BSA's worked examples of how to derive these values, we understand auditors are considering qualifying CCG accounts, on the basis that cash equivalent transfer values are estimated based upon a calculation for which there is no formal mandate. Qualifications could be avoided if the GAM either mandated a methodology for calculation or removed the reporting requirement from the part-year accounts of the CCGs.
- Under the current arrangements, auditors are considering qualifying CCG accounts, on the basis that cash equivalent transfer values are estimated based upon a calculation for which there is no formal mandate.
- Chapter 3, appendix 1, paragraph 3.215 sets out the additional requirements for ICBs in relation to their annual report and accounts. It is not clear whether these requirements apply to ICBs or whether this is a legacy CCG requirement.
- Paragraph 3.217 references section 14Z15, paragraph 2 of the National Health Service Act 2006. This section of the Act applies to CCGs and we think the correct reference is now 14Z58.
- Paragraph 3.218 states that the report must provide information on the member practices, forming the membership body, of the ICB and paragraph 3.219 talks about the correct classification of GPs on the governing body. Paragraph 8 of Schedule 2 of the Health and Care Act 2022 sets out the membership of ICBs and there will be only one primary medical services provider on the board, dependent on the constitution of the ICB. It would be helpful if the GAM could reflect the new governance arrangements.
- Specific guidance is needed in paragraph 4.402 in respect of prior-year comparatives for ICBs applying modified absorption accounting for the transfer of CCG properties. Also, there is a typo in this paragraph – there is no need for the apostrophe in 'CCG's'.

**Do you have any comments regarding the further reporting requirements preparers or auditors may expect in the GAM?**

Our external audit colleagues have raised the following issues in respect of remuneration reporting, these mostly relate to differences between the GAM and the *NHS foundation trust annual reporting manual 2021/22* (FT ARM):

- The fair pay disclosure in paragraph 3.118 of the GAM is not the same as paragraph 2.93 of the FT ARM – it would be helpful if the two were aligned.
- Paragraphs 3.112 and 3.113 of the GAM are clear the all-staff percentiles exclude the highest paid director. It is not clear if it is excluded or included in the range of staff pay required by paragraph 3.116. The FT ARM (paragraph 2.88) is clear that the highest paid director is included in the range).
- There is also a terminology query in respect of paragraph 3.116, the range of staff remuneration. Auditors are assuming ‘staff’, in the GAM, includes agency and contract staff, as part of the pay ratio information. In the FT ARM and the Hutton guidance<sup>2</sup>, agency and contract staff are treated separately to the pay ratio. There is also a lack of clarity as to whether bank staff should be included. Bank staff are typically employees, although this depends on staff bank arrangements, further clarity on whether these should be included would be helpful.
- Should a part-time senior manager’s pay be grossed up to FTE when determining the highest paid director?
- Where there is a joint appointment, the GAM is clear only the remuneration relevant to the reporting body is included in the single figure table. Should the same principle be applied to pension related disclosures? If so, how should it be apportioned?
- In the footnote to the percentile tables at paragraph 3.118 relating to the number of employees that received remuneration in excess of the highest paid director, clarity is required as to whether year-end or full year pay information should be used to take account of potential increases in pay. Consistency should be ensured between the GAM/ FT ARM and Hutton guidance as to what basis this should be.
- Paragraph 3.118 refers to the number of employees who received remuneration in excess of the highest paid director. Employees could be read to exclude agency staff (although it may include some contract staff). Including agency and contract staff covering staff vacancies would be consistent with the pay ratio disclosures and the Hutton guidance rationale.
- It would be helpful if clarification could be given as to whether ‘staff’ and ‘employees’ are to be used as interchangeable terms. For example, the FT ARM uses ‘employee’ having used ‘staff’ in the same paragraph (paragraph 2.88) and includes temporary and agency staff in the pay ratio disclosure. The GAM also includes temporary and agency staff in the disclosure on pay ratios so is therefore consistent with the Hutton guidance. Again, for example, are bank staff from other organisations considered employees throughout the guidance?

**Do you have any comments regarding the additional reporting requirements for NHS trusts to reflect NHS England’s *Code of governance for NHS provider trusts*?**

We have no comments in respect of additional reporting resulting from NHS England’s *Code of governance for NHS provider trusts*.

**Do you have any other general comments on the draft group accounting manual?**

We have set out some detailed comments on the draft group accounting manual in the table below.

Reference (paragraph unless stated otherwise)	Comment
1.7	A link to the IFRS standards would be useful to preparers of the accounts.
Section 2	The legislative framework refers to NHS foundation trusts. It is unclear why the legislative framework for trusts and the other bodies is not listed? We

<sup>2</sup> HM Treasury, *Fair pay disclosures - implementation guidance*, updated 2021

Reference (paragraph unless stated otherwise)	Comment
	suggest that the framework should cover all NHS bodies or be removed from the GAM.
2.11	There is a minor typo. 'As the FReM, like the GAM is not an accounting textbook' requires a comma, after 'GAM'.
2.12	<p>Paragraph 2.12 states 'this manual follows GAAP to the extent that it is meaningful and appropriate to the DHSC group. GAAP consists of... the accounting and disclosure requirements of the Companies Act 2006'</p> <p>This is inconsistent with paragraph 2.8, which states '...requirements of the Companies Act 2006 do not apply to the DHSC group...'</p>
Chapter 2 Annex 4	Chapter 2 Annex 4 refers to 'NHS trust accounts directions', signposting to other bodies' directions would be helpful.
2.110	Paragraph 2.110 states that all annual report and accounts must be sent in time for laying before the Parliamentary summer recess. We suggest, given the current issues, that a sentence is added to indicate that there are exceptions, for instance, when NHS bodies are waiting for information from local authority pension providers.
Chapter 2 Annex 6	This annex is headed ICB and NHS trusts auditor's annual reports. This is a requirement for all NHS bodies, including foundation trusts.
3.9	This paragraph refers to the Financial Reporting Council's July 2018 publication of <i>Guidance on the strategic report</i> . This guidance was updated in July 2022 <sup>3</sup> .
3.15	This paragraph states that 'NHS bodies are not required to comply with the UK code of corporate governance'. We suggest it would be helpful to refer readers to the <i>Code of governance for NHS provider bodies</i> <sup>4</sup> . This is particularly important as the Code applies to all NHS provider bodies from 2023/24.
3.20	This paragraph references boards or directors and also governing bodies and governing body members, we understand that ICBs generally refer to boards of directors. It may simplify the GAM to remove references to governing bodies.
3.28	This paragraph refers to ICB general duties under sections 14Z34 to 14Z45 and 14Z49 of the Health and Care Act 2022. Is it possible to list these duties for the reader?
3.28	This paragraph requires ICBs to disclose and explain the amount and proportion of expenditure incurred in relation to mental health, following guidance (set out further on in the paragraph). Should this be in the performance analysis part of the guidance in the GAM?
3.28, 3rd sub-bullet point, under bullet point 5	This point refers to SDF spending – it would be helpful if the GAM explains what SDF stands for.
3.38	Paragraph 3.38 states that the performance analysis must include... 'Information on environmental matters...'

<sup>3</sup> FRC, *Strategic report guidance 2022*, July 2022

<sup>4</sup> NHS England, *Code of governance for NHS provider trusts*, February 2023

Reference (paragraph unless stated otherwise)	Comment
	<p>We know that this is an issue that is being discussed by the Financial Reporting advisory Board (FRAB) and that further guidance in relation to sustainability reporting is likely to apply in 2023/24.</p> <p>The Health and Care Act 2022 explicitly introduces new duties for all NHS bodies in relation to environmental sustainability although there is no reference to reporting requirements. However, the paragraph SC18 of the NHS standard contract requires ‘quantitative progress data, covering as a minimum greenhouse gas emission in tonnes, emissions reduction projections and an overview of the provider’s strategy to deliver those reductions’ to be included in the annual report.</p> <p>It would be helpful if the guidance in relation to sustainability reporting could be expanded so NHS bodies understand what will be expected of them.</p>
3.39, second bullet point	We note that this requirement was first included in the 2020/21 GAM. However, it is not clear what the requirement means, and further clarity would be helpful.
3.47	The first bullet point refers, incorrectly, to 3.129. It should reference paragraph 3.131.
3.58	One of the issues raised at the HFMA’s pre-accounts planning conferences is the requirement for a conclusion in the governance statement – either ‘no significant issues’ or ‘the following significant issues...’. This is reflected in <i>NHS trusts: requirements for annual governance statements</i> and other year-end material 2021/22 and <i>NHS foundation trusts: year-end statements for annual reports and accounts 2021/22</i> . We suggest that this requirement may carry more weight if it is included in the GAM.
3.60	The 6th bullet point talks about jurisdictions governed by the relevant authorities per paragraph 3.58. We are not sure that the reference helps the preparer of accounts. More examples of relevant authorities such as the <i>Central government corporate governance code</i> and the <i>Orange book</i> (already cited in the paragraph) may be more helpful.
3.97	The paragraph discusses where a member has opted out of the pension arrangements. Specific guidance in relation to other arrangements, in place of pension contributions, would be useful.
3.103	This paragraph may need amending as ICBs will not necessarily have GPs as governing body members.
3.118	The pay ratio table refers to 3.115 for calculation, this should be 3.116.
3.124	We think the reference to ‘lay governing body members’ can be removed.
3.131	We wonder whether the table should be clearer about the word ‘optional’. Our reading is that these disclosures must be made in the accounts or the annual report and are subject to audit either way. The option is about where to include the information, not whether to include it.
3.131	We question whether a statement about the use of government functional standards applies given that NHS bodies follow guidance prepared by the DHSC and NHS England that presumably equates to the functional standards.

Reference (paragraph unless stated otherwise)	Comment
3.159 h	<p>This paragraph mandates pension disclosures in the case of stakeholder pensions.</p> <p>As we referred to earlier, it would be useful to provide guidance on any disclosure requirements in respect of additional cash in lieu of pension contribution.</p>
4.39, bullet point 11	The reference to sustainability and transformation partnerships (STPs) can be deleted.
4.81	The bullet points under paragraph 4.81 discuss the transition to IFRS 15. As this standard has been adopted, this guidance can be removed.
4.87	This paragraph contains a link to IFRS 15 application guidance, reference to the TAC guidance on income recognition would also be useful.
4.98	The new payment scheme replaced payment by results. It would be helpful to refresh the guidance to refer to aligned payment and incentive arrangements and whether they could result in partially completed patient spells.
4.99 and chapter 4 annex 10	<p>We are not sure whether maternity pathways will be replaced under the new payment scheme. There is a reference to the arrangement in paragraph 84 of <a href="#">this guidance</a> on the new payment arrangements. However, paragraph 92 of the same guidance says that provider to provider payments should not be required. It may be that paragraphs 4.916 to 4.923 are no longer required.</p>
4.107	This paragraph needs to reference the latest guidance on retaining profits on disposal of non-current assets.
4.131 to 4.138	We question the continued inclusion of these paragraphs as they relate to the donation of centrally procured items for Covid-19 pandemic response.
4.242	The third, fifth, sixth and seventh bullet points refer to transitional arrangements for IFRS 16. In 2023/24 the standard will have been implemented so these points can be removed.
4.243	The second bullet point, fifth sub-bullet point refers to transitional arrangements for IFRS 16. The same point as above applies.
4.270 to 4.272	Covid-19 will be business as usual by 2023/24 so we suggest that these paragraphs should reflect ongoing arrangements or be taken out of the GAM.
4.291	We suggest that additional guidance in respect of provisions, in particular their impact on RDEL and AME and the difference between provisions and accruals, would be helpful to promote wider understanding. We understand that this is a budgeting not an accounting issue but it is an issue frequently raised at the HFMA's pre-accounts planning conference.
4.304 to 4.308	We suggest these paragraphs can be removed as they relate to cash advances to providers as part of the Covid-19 pandemic response.
4.342 and 5.253	These paragraphs refer to charities where trustees are appointed by NHS England. This is no longer the case, NHS charities are either independent

Reference (paragraph unless stated otherwise)	Comment
	or have an NHS body as the corporate trustee. See <i>NHS charities guidance</i> <sup>5</sup> .
4.399	This paragraph can be deleted, as it talks about primary care trust asset transfers.
4.401	This paragraph can be deleted as it references transferring to NHS property services in 2013/14.
Chapter 4 Annex 1	Should IFRS 17 be included in the table of standards, as it has been published but is not yet applicable to the NHS?
4.776	The paragraph on new models of care may need updating to reflect the latest practice, such as provider collaboratives and other joint working arrangements.
4.849	We suggest that this paragraph is expanded to provide more guidance if there are changes to ICBs. By comparison, paragraph 4.845 of the 2022/23 GAM says: 'CCGs must follow the guidance <i>Procedures for clinical commissioning groups to apply for constitution change, merger or dissolution</i> which can be found on the NHSE website. When a new CCG entity is formed, it must disclose a comparative SoFP and related notes as at the date of authorisation after the initial transfer(s) by absorption from predecessor organisations.'
4.871	The phrase 'to replace guidance that was accessible through via a link in the GAM in previous financial years' can be deleted.
4.926	The phrase 'it also addresses the transition from IAS 17 to IFRS 16 in the 2022/23 financial year' is not needed in the 2023/24 manual.
4.1022 to 4.1073	This section refers to IFRS 16 transition. We suggest deleting all of this from the 2023/24 GAM or simply referring to anything that might affect comparatives in 2023/24.
5.34	This paragraph discusses new IFRS standards, so consider referencing IFRS 17.
5.113	This paragraph refers to NHS foundation trusts' provider licence. Has this disclosure changed since all providers are required to hold a licence now?
5.131 to 5.142	Paragraphs 5.131 to 5.142 provide guidance in respect of non-current assets. We suggest guidance regarding, or at least reference to, right of use assets under IFRS 16 should be included here.
5.162 to 5.185	Paragraphs 5.162 to 5.185 cover liabilities in the statement of financial position, we therefore suggest inclusion of guidance or reference to lease liabilities arising from IFRS 16 in this section.
5.217	Paragraph 5.217 references the NHS (Procurement, Patient Choice and Competition) (No2) Regulations 2013. Are these regulations still applicable now that the Health and Care Act 2022 has been enacted?
5.262 and 5.263	It might be useful to include reference in these paragraphs about whether NHS bodies can make donations to NHS charities.

<sup>5</sup> DHSC, *NHS charities guidance*, updated October 2022

Reference (paragraph unless stated otherwise)	Comment
Chapter 5 Annex 1: Example accounting policies.  Accounting policy 1.	The reference to NHS England and Improvement needs to be updated.
Accounting policy 1.18, Leases.	Paragraphs 2 to 7 discuss the implementation of IFRS 16. These can be removed from 2023/24.
Accounting policy 1.33	This policy discusses gifts and we are not sure if it is entirely necessary given that gifts are not expected, especially above £30,000, so are unlikely to be material.
Accounting policy 1.34	The reference to IFRS 16 can be deleted as the standard has been adopted.
Page 336	States 'Crown copyright 2021' and probably needs to be updated to 2023.



## About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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