HFMA response
February 2018

DHSC *Group accounting manual 2018/19*

Consultation response

Who are we

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policy and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

Do you have any comments on the guidance provided in the GAM for the adoption of IFRS 9 Financial Instruments?

- The explanation in brackets in paragraph 4.154 would be much clearer if it simply stated HM Treasury has removed the option to elect to use IAS 39 in relation to qualifying financial instruments in a hedging relationship. Alternatively, it could be deleted as it is repeated in the 5th bullet point of the next paragraph
- The 2nd and 3rd bullets in para 4.157 should be merged – this is a typo. The same typo is made in paragraphs 4A6.32 and 4A6.33, 4.164 and 4.165
- In the 6th paragraph of para 4.157 the wording would be clearer if '(or other component of equity, as appropriate)' was replaced with 'or the general fund'
- Paragraphs 4.158 and 4.159 should make it clear that the simplified approach set out in paragraph 5.5.15 is always applied to intra-government transactions. Whilst we understand that there is an expectation that the reader of the GAM will have read the appropriate accounting standards, it would be useful is an explanation of stage-1, stage-2 and stage-3 impairments was included or at least a cross reference to paragraph 4A6.51 where they are explained
- Some practical guidance on what paragraphs 4.158 and 4.159 mean would be helpful
- We suggest that paragraph 4A6.57 is moved to follow 4A6.49

- Paragraph 4A7.17 still refers to the financial instrument discount rate at 31 March 2017
- Paragraph 4.50 states that a provision should be included in the provision for impairment of receivables for the injury costs recovery scheme. However, receivables under this scheme are not financial instruments so the impairment rules in IFRS 9 do not apply. Whilst we accept that the accounts should reflect the amount actually expected to be recovered, should disclosure be made that this impairment is not measured in accordance with IFRS 9?

Do you have any concerns regarding the feasibility of adopting the revised treatment of DHSC loans under IFRS 9?

It is not clear what effect, if any, the move to measuring DHSC loans at amortised cost will have on the amounts of interest and principal repayments recognised in the accounts. A worked example would be useful to understand whether there could be any impact on the reported bottom line for NHS bodies.

Do you have any comments on the guidance provided in the GAM for the adoption of IFRS 15 Revenue from Contracts with Customers?

- The 1st bullet point of paragraph 4.47 would be clearer if '(or other component of equity, as appropriate)' was replaced with 'or the general fund'
- In the 3rd bullet point of paragraph 4.47 some explanation of what the practical expedient set out in paragraph C7A of the standard is would be helpful
- Does the recognition of revenue under the injury costs recovery scheme meet the requirements of the new standard? Is the performance obligation satisfied when the injury treatment is given or when the injury is treated and a claim for compensation is made? Does form NHS2 demonstrate this?
- It would be useful if the maternity pathway guidance references in paragraph 4.53 was updated to reflect IFRS 15 and was incorporated into the GAM
- Paragraphs 4.54 to 4.56 will need to be amended to reflect the STF arrangements for 2018/19 – in particular, the changes announced in the updated planning guidance. It would be clearer to put a place holder here rather than repeating the 2017/18 guidance.

Do you have any comments on the guidance provided regarding the adoption of IFRS 15 Revenue from Contracts with Customers disclosure requirements currently?

We have no comment.

Do you have any comments regarding the revised HM Treasury approach to discounting general provisions?

It is difficult to comment on this change until the HM Treasury guidance on assessing inflationary effects on cash flows. A worked example would be welcomed. We are not aware that any of our members have yet worked out what the likely effect of this change will be.

Clearly, this will be additional work for the finance team at the year end and will involve more estimates and judgements. The timing of the issue of the current discount rates can cause problems as the rates are not issued until January which makes managing the impact of changes difficult. We welcome the publication of the indicative rates and hope that this continues.

Do you have any comments regarding detail provided for the additional disclosure requirements under IAS 7 Statement of Cash Flows?

We have no comment.

Do you have any comments regarding the highly paid locum disclosure?

We understand that the limit will be raised to £150,000 in line with changes to the senior manager reporting threshold.

We are grateful that this change is not being introduced immediately so there is time to ensure that appropriate information can be collected. Even so, we have concerns about whether it will be possible to comply with this new requirement.

We are concerned that the individuals affected may object to the publication of this personal information. When the requirement to disclose board members' salaries was first introduced, many individuals refused to allow their information to be published. It was only when the Information Commissioner ruled on the matter that the requirement to disclose was complied with.

Whilst we understand that it is in the public interest to name members of an NHS body's board and that this disclosure requirement is included in their terms and conditions, this is not necessarily the case for locum doctors who do not have a senior management role in the organisation. Some guidance on the applicability of the guidance in relation to the remuneration report (paragraphs 3.36 to 3.38 of the GAM) to this situation would be helpful.

This is particularly important as the introduction of the General Data Protection Regulations this year makes the collection and use of personal data a sensitive issue. Some clarification on how this disclosure requirement meets the GDPR rules would be useful.

We are also concerned that the amount reported is the total cost to the organisation – this means that this disclosure will not be comparable to any of the other disclosures made in the staff report. The inclusion of agency fees means that the total cost is not the amount that the locum doctor receives which will require explanation alongside the required table. Without any other context such as how much employed doctors performing similar roles are paid, this disclosure will not be particularly meaningful.

We expect that terms and conditions of locum doctors' contracts will need to be amended to include this new requirement. This revision may mean that doctors refuse to work with NHS bodies once they are near to the £150,000 threshold which could have an unintended impact on patient care.

Do you have any comments regarding the use or application of, the External Finance Limit for your organisation?

Our members report that they do not use it to performance manage locally, other than as regards managing the reporting requirement as a year-end measure.

In the past it created a structure around cash balances but members have found that the minimum cash balance as agreed with NHSI has become the performance measure that they are using.

Do you have any comments on any other amendments made?

No.

Do you have any general comments on the draft GAM?

Paragraph 4.168 sets out the PDC dividend calculation. We understand that this calculation is amended in relation to the STF receivable but this is not reflected in the GAM. If STF is to continue, in whatever form, should the amendment be reflected in the GAM?

Contact

If you would like to discuss any of our comments in more detail please contact Debbie Paterson, policy and technical manager: debbie.paterson@hfma.org.uk.