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Consultation outcome

Group accounting manual 2022 to 2023: consultation response

Updated 4 October 2022

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This publication is available at <https://www.gov.uk/government/consultations/changes-to-dhsc-group-accounting-manual-2022-to-2023/outcome/group-accounting-manual-2022-to-2023-consultation-response>

1. Executive summary

1.1 All bodies within the Department of Health and Social Care accounting boundary (DHSC 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.

1.2 DHSC and NHS England (NHSE) have powers to direct the:

- form in which the annual report and accounts should be prepared
- information that should be included
- methods and principles that should be followed in their preparation

1.3 In determining the form and content of the accounts we must, by statute, aim to ensure the accounts present a true and fair view.

1.4 In order to achieve this, DHSC issues a group-wide annual report and accounting manual every year, the [group accounting manual \(GAM\)](https://www.gov.uk/government/collections/department-of-health-group-accounting-guidance) (<https://www.gov.uk/government/collections/department-of-health-group-accounting-guidance>), containing the requirements DHSC group bodies need to follow when preparing their annual reports and accounts.

1.5 The [NHS foundation trust annual reporting manual \(FT ARM\)](https://www.england.nhs.uk/financial-accounting-and-reporting/nhs-foundation-trust-annual-reporting-manual/) (<https://www.england.nhs.uk/financial-accounting-and-reporting/nhs-foundation-trust-annual-reporting-manual/>) establishes the annual reporting requirements for NHS foundation trusts. The FT ARM contains the formal accounts direction, but foundation trusts will follow the GAM for accounts requirements.

1.6 The GAM requires DHSC group bodies to follow the requirements of [International Financial Reporting Standards \(IFRS\)](https://www.ifrs.org/) (<https://www.ifrs.org/>), as adopted by the United Kingdom, interpreted and adapted by the [HM Treasury Financial Reporting Manual \(FReM\)](https://www.gov.uk/government/collections/government-financial-reporting-manual-frem) (<https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>).

1.7 Therefore, the GAM only includes detailed accounting guidance where DHSC group bodies are:

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

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

1.9 Some content for 2022 to 2023 is not yet available, such as HM Treasury discount rates. The GAM indicates where this is the case and the manual will be revised later in the year once this content is known. The additional guidance document published alongside the updated 2022 to 2023 GAM will signpost the changes made within the manual.

2. Background to this consultation

2.1 This consultation related to the draft GAM for 2022 to 2023. The consultation period ran from 8 February 2022 until 6 March 2022. Following the consultation period, the revised GAM has been subject to further assessment by the [Financial Reporting Advisory Board \(FRAB\)](https://www.gov.uk/government/groups/financial-reporting-advisory-board-frab) (<https://www.gov.uk/government/groups/financial-reporting-advisory-board-frab>) to clear the final draft.

2.2 Feedback has been received from the user and audit community as well as technical experts, which has helped inform and enhance the development of the 2022 to 2023 GAM. The proceeding sections of this document summarise the technical question posed, responses received and DHSC's action.

2.3 Following this consultation and after consideration by FRAB, the [2022 to 2023 GAM](https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2022-to-2023) (<https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2022-to-2023>) was published in June 2022.

3. Details of consultation questions and responses

Adoption of IFRS 16 leases

3.1 The objective of [IFRS 16](https://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/) (<https://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/>) is to report information that faithfully represents lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In particular, it represents a significant change in the accounting treatment where an entity is a lessee.

3.2 Specific consultation regarding the adoption of the standard by HM Treasury took place in previous financial years. DHSC group-wide consultations coincided with the IFRS 16 exposure drafts published by HM Treasury.

3.3 With the adoption of IFRS 16 on 1 April 2022 for the GAM, the 2022 to 2023 GAM consulted upon incorporates IFRS 16 guidance in chapters 2, 4, annex 11 of chapter 4 and chapter 5.

3.4 The 2022 to 2023 GAM incorporates the previously separate IFRS 16 supplement, which DHSC has consulted upon over a number of years.

3.5 DHSC's IFRS 16 guidance has been refined over a number of years now but continues to be refined as a result of continued engagement with the user and audit community.

Consultation questions on the IFRS 16 GAM guidance

Do you have any comments regarding the HM Treasury interpretations and adaptations for IFRS 16?

Summary of responses

3.6 Feedback received reflected the fact that the respondents already had opportunity to provide their feedback and comments in earlier consultations held.

3.7 A request for clarity was made regarding any movement in the value of the right of use asset after the transitional provisions of the standard had been applied. This was an in-year movement and consequently should not create an opening reserves adjustment.

DHSC's decisions

3.8 DHSC has refined the guidance in chapter 4 annex 11 to be explicit on the point raised.

Do you have any comments on DHSC implementation tools provided on the NHSE financial reporting page?

Summary of responses

3.9 No substantive comments were provided.

DHSC's decisions

3.10 DHSC continues to welcome any feedback regarding the implementation tools provided for entities to use as part of their implementation work.

Do you have any comments regarding the transition to an IFRS 16 measurement basis for the valuation and disclosure of private finance initiative (PFI) liabilities in alignment with IFRS 16?

Summary of responses

3.11 Clarity was requested on the treatment of the debit entry corresponding to the increase of PFI liabilities in employment of an IFRS 16 measurement basis from 1 April 2022.

DHSC's decision

3.12 DHSC has been working closely with HM Treasury who are due to publish guidance regarding the accounting in relation to PFI liabilities under an IFRS 16 measurement basis shortly. Once this has been finalised, DHSC will incorporate the relevant guidance into the GAM and provide further contextualisation as appropriate for DHSC group bodies.

Do you agree or disagree with the accounting policy approach mandated in the GAM of not applying IFRS 16 to other intangible assets not covered by paragraph 3(e) of the standard?

Summary of responses

3.13 The responses support the approach of DHSC in this matter.

DHSC's decision

3.14 DHSC has consulted on this point over a number of years, and little or no objection has been raised about the policy choice and application of this accounting policy approach. DHSC is therefore satisfied with the mandating of this policy approach.

Do you wish to see any further guidance relating to sale and leaseback arrangements under IFRS 16 in the GAM?

Summary of responses

3.15 No substantive comments were provided.

DHSC's decision

3.16 DHSC continues to be open to feedback on this aspect of the IFRS 16 guidance but there have been limited requests for further clarification in this area to date.

Do you have any comments regarding the guidance offered in the GAM concerning disclosure requirements under IFRS 16?

Summary of responses

3.17 No substantive responses were received.

DHSC's decision

3.18 Disclosure in accounts is a matter that has been addressed in previous consultations so the lack of further responses on this matter is not surprising.

Do you have any further comments regarding IFRS 16 application described in the GAM?

Summary of responses

3.19 Comments from respondents provided detailed considerations relating to the illustrative examples provided in chapter 4 annex 11 of the GAM, querying aspects of the scenarios given and the extent to which the conclusions flow from the information provided.

DHSC's decision

3.20 DHSC is grateful for respondents providing their insights as to how effective the illustrative examples are in demonstrating the types of judgements entities will need to make regarding IFRS 16.

3.21 Given the summary information that can be provided in an illustrative example to convey a lease assessment in this manual, there is a limit to the detail of any scenario that can be provided. Nevertheless, DHSC considers that they are useful as detailed.

3.22 Regarding specific comment made on scenario 1, the scenario establishes that the employee benefits and directs the use of the asset up to the point at which the benefit can be no longer used by the employee, and the arrangement must be terminated at that point. As such, the use of the asset is not directed by the employer who doesn't obtain substantially all the economic benefits from use of the asset, leading to the conclusion that this is not a lease for the employer.

3.23 Regarding specific comment made on scenario 2, DHSC does not dispute that other factors, if included in this scenario, would change the conclusion reached. That said, with the scenario as presented in the GAM, the conclusion reached is fair and indicative of the types of considerations entities will need to make in applying IFRS 16.

3.24 DHSC is also careful to provide caveats in the paragraphs above the illustrative examples detailed to ensure entities do not solely rely on the scenarios laid out when judging as to whether a contract does or does not contain a lease. Entities will need to consider the detail of the arrangement in full to arrive at such judgements as is noted in paragraph 4.391 of the GAM.

Changes to the GAM stemming from the implementation of the Health and Care Bill 2022

3.25 The [Health and Care Bill 2022](https://www.legislation.gov.uk/ukpga/2022/31/contents/enacted) (<https://www.legislation.gov.uk/ukpga/2022/31/contents/enacted>), which received Royal Assent on 28 April 2022, enacts what is considered to be the most significant health legislation in a decade into law. It introduces measures to tackle the coronavirus (COVID-19) backlogs, and rebuild health and social care services since the pandemic. It will also contain measures to tackle health disparities and create safer, more joined-up services that will put the health and care system on a more sustainable footing. The act builds on the proposals for legislative change set out by NHSE in its [NHS Long Term Plan](https://www.longtermplan.nhs.uk/) (<https://www.longtermplan.nhs.uk/>), while also incorporating valuable lessons learnt from the pandemic to benefit both staff and patients.

3.26 The 2022 to 2023 GAM makes reference in chapters 1 and 2 that the changes to be made to the GAM, with the enactment of the act, will predominantly be provided as part of the in-year update cycle.

3.27 Some updates have been made already, such as in relation to confirming that transfers of function occurring between demising clinical commissioning groups (CCGs) and newly established integrated care boards (ICBs) will occur via the modified absorption transfer approach. DHSC also pointed to existing guidance in regards to part-year accounts in the consultation.

Consultation questions on the changes to the GAM stemming from the implementation of the Health and Care Bill 2022

Do you have any comments regarding the approach in which changes will be communicated through in-year updates to the 2022 to 2023 GAM?

Summary of responses

3.28 A respondent noted that it would be helpful if users could receive automatic email alerts when items are posted on the relevant guidance pages for the DHSC GAM and the NHSE financial accounting updates.

DHSC's decisions

3.29 DHSC is supportive of proposals to make its guidance pages more user-friendly and will discuss the ability to implement this request with the relevant digital teams. Respondents may note that regular updates published by the Healthcare Financial Management Association also confirm the latest updates on these guidance pages.

Is there a specific matter in the provisions of the bill that you consider detailed guidance for bodies is required?

Summary of responses

3.30 Respondents identified that similar levels of guidance to that given to NHS providers would be helpful for the final period of accounts for CCGs and initial period of accounts for ICBs. A query was also raised as to whether disclosure of spend against capital limits needs to be disclosed for foundation trusts going forward, and whether further guidance was required in the GAM surrounding the requirements to not locally breach capital and revenue thresholds

DHSC's decisions

3.31 The extent of guidance in the GAM surrounding disclosure requirements stemming from the act's requirements has not been finalised. These changes are expected to be incorporated in the 2023 to 2024 GAM consultation to take place early in 2023, so users and auditors will have opportunity to consider and provide feedback regarding the guidance developed, prior to its finalisation for the 2022 to 2023 year end.

Other changes to the 2022 to 2023 GAM

3.32 Minimal changes beyond those outlined in relation to IFRS 16 were built into the GAM. DHSC confirmed that it would roll forward the various year-end updates it would make to the finalised 2021 to 2022 GAM in April 2022.

Consultation questions relating to other changes identified in the GAM

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

Summary of responses

3.33 Respondents identified that:

- in the example accounting policy, employing the term ‘financial year’ – rather than using the International Accounting Standards (IAS) 16 terminology of ‘period’ – in relation to the definition of plant, property and equipment for the DHSC group may be misleading
- where a grant does not relate to an asset, it is not clear whether the income should be deferred and recognised on a systematic basis in line with IAS 20
- further clarification of guidance for remuneration reporting in relation to:
 - the appropriate figure to use to determine the highest paid director – annualised part-year salary or pay position per the single total figure table
 - treatment of pension disclosures for shared appointments or contribution partially funded by another body

DHSC’s decisions

3.34 Regarding the choice of phrasing in the example accounting policy for the definition of plant, property and equipment, we use this specific terminology as it is part of the DHSC group accounting policy that is articulated in the DHSC group annual report and accounts. Part of the function of the GAM is to ensure consistency of approach and this is an example of that. We are not aware of any specific issues that have arisen out of this choice of phrasing so welcome further feedback prior to concluding that a revision is required here.

3.35 In relation to the application of IAS 20 to grants other than for assets, the detail provided by the GAM in paragraphs 4.131 to 4.138 and 4.268 to 4.273 is considered sufficient, particularly as the principle outlined is to follow the established accounting for donated assets in paragraph 4.132 of the GAM.

3.36 DHSC considers the primary focus of the GAM, in respect of remuneration reporting, to further contextualise for the health sector the guidance provided by the FReM and associated sources of guidance. While we consider the remuneration reporting guidance currently provided in the GAM to be quite substantial, we are mindful that the guidance can always be enhanced, so will consider whether further refinements should be made to the guidance in relation to these matters identified, in light of feedback received regarding remuneration reporting, in the 2021 to 2022 annual report and accounts compilation process.

3.37 DHSC seeks to continuously improve the usability of the GAM, and is grateful that respondents continue to identify ways in which the guidance can be made more complete and user friendly.

4. Conclusion to the consultation

4.1 We are grateful for all the responses we received to our consultation. As a result of these, we made a number of changes to the 2022 to 2023 GAM before publication and finalisation of the year end 2022 to 2023 GAM.

4.2 In considering the comments received, we have needed to ensure that the guidance given in the GAM is clear and sufficient without becoming overly detailed or prescriptive. In some cases, therefore, we have noted comments made but have concluded that the guidance should remain as drafted.

4.3 We would like to thank all respondents for their direct input in delivering a product that the FRAB was content to approve.

4.4 There is always scope to deliver further improvements to the GAM, and we have taken away a number of issues from this consultation for consideration in drafting the 2022 to 2023 additional guidance updates and 2023 to 2024 manual.

4.5 [View the 2022 to 2023 GAM. \(https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2022-to-2023\)](https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2022-to-2023)

Annex: list of respondents to the consultation

The following organisation responded to the GAM consultation directly through the consultation platform:

- Grant Thornton UK LLP

Separately, the following respondents discussed the contents of the consultation with DHSC during and after the consultation had concluded to help finalise contents of the guidance provided in the GAM:

- NHS England
- Financial Reporting Advisory Board
- Healthcare Financial Management Association

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