



Independent Regulator
of NHS Foundation Trusts

Financial Reporting Advisory Board Paper

NHS Foundation Trusts Manual for Accounts and Capital Accounting Manual 2005/6

Issue:	Proposed update of the FT Manual for Accounts and Capital Accounting Manual for 2005/6 which will be consolidated into one document.
Impact on guidance:	NO
UK GAAP adaptation?	Underlying principle is to adhere to UK GAAP although some adaptation as outlined in the list of divergences presented to FRAB on 9 May 2005
IAS/IFRS compliant?	N/A
IPSAS compliant?	N/A
Impact on budgetary regime?	No
Recommendation:	Approve the approach to streamlining the manuals into one document entitled the NHS Foundation Trusts Financial Reporting Manual (FT FReM)
Timing:	2005/6

DETAIL

Background

1. The Health and Social Care (Community Health and Standards) Act 2003 provided for the creation of NHS Foundation Trusts as public benefit corporations, to provide goods and services for the purposes of the health service in England.
2. There are 32 NHS Foundation Trusts authorised by Monitor, the Independent Regulator of NHS Foundation Trusts, in the financial year ended 1st April 2006.
3. Monitor produced a Manual for Accounts and Capital Accounting Manual for NHS Foundation Trusts for the financial year ended 2004/05. These documents will need to be updated for 2005/6 and it is proposed that the manuals will be consolidated into one document entitled NHS Foundation Trusts Financial Reporting Manual (FT FReM)
4. Annex 1 provides an overview of how the 05/06 FT FReM will be structured for advanced consideration and approval by FRAB.
5. The draft FT FReM will be consulted upon in the Autumn and will be subject to formal approval by FRAB prior to being released in January 2006.

UK GAAP compliance

6. The updated manual will continue to adhere to the principle that the accounting practices of NHS Foundation Trusts adhere to UK GAAP as far as possible
7. The list of divergences as presented to FRAB on 9 May 2005 will be updated for the 2005/6 manuals.

Summary and recommendation

8. The Financial Reporting Advisory Board are asked to approve the approach to streamlining the two accounting manuals into one document entitled the NHS FT FReM.

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Assessment Director
Monitor
1 September 2005

NHS Foundation Trust Manuals for Accounts 2005/06

Currently, NHS Foundation Trusts have been issued with three manuals:

- Manual for Accounts;
- Capital Accounting Manual; and
- Annual Reporting Guidance.

NHS Foundation Trusts are required to comply with UK GAAP. They are also required to comply with the Treasury's Financial Reporting Manual (FReM). Any departures from FReM have to be agreed with FRAB and will only be proposed in order to ensure compliance with UK GAAP.

NHS Foundation Trusts therefore already have UK accounting standards, the FReM and FRAB papers available to them when they are preparing their accounts. The intention is that the Manual for Accounts only provides guidance where particular interpretation or disclosure is required for NHS Foundation Trusts. It is not the role of Monitor to provide accounting guidance and the onus will be on the NHS Foundation Trusts to liaise and discuss interpretation of accounting standards with their auditors.

We therefore propose to produce a single manual which will have the following structure:

- Chapter 1: Introduction and overview.
This chapter would mirror the existing chapter but we would aim to add to the current guidance on submission procedures and deadlines to ensure that this is a very practical guide for NHS Foundation Trusts.
- Chapter 2: Financial Reporting.
This chapter would provide guidance on where FReM was not applicable (which would result in the agreed departures from FReM table to be agreed with FRAB) and would also provide supplementary guidance on accounting standards where applicable for NHS Foundation Trusts. This would replace the current chapters 2 and 3 of the Manual for Accounts
- Chapter 3: Financial statements.
This chapter would replace the current chapters 4 to 7 of the Manual for Accounts. Although Monitor will not produce template accounts, it is accepted that NHS Foundation Trusts will use the FTC forms as the basis for their statutory accounts. This Chapter will therefore include guidance on compilation of the FTC forms, where necessary, and will provide guidance on which non-UK GAAP disclosures are required to be made by NHS Foundation Trusts, for example, in relation to private patient income. This Chapter would include as an appendix the example accounting policies note and the FTC forms.
- Chapter 4: Annual Reporting Guidance
This Chapter will incorporate the guidance in FReM on annual reporting, the existing manual and the requirements of Reporting Standard 1. This Chapter will supplement the Combined Code for NHS Foundation Trusts which Monitor is consulting on separately and which will be included in this Manual from 2006/07 onwards.
- Chapter 5: Losses and special payments
This Chapter will include relevant guidance for NHS Foundation Trusts in relation to losses and special payments

It is intended that this will be a more streamlined document which will not simply repeat or summarise published accounting standards. Based on the experience of 2004/05 additional guidance will be considered in the following areas:

- New accounting standards;
- The calculation of PDC dividends (based on the DH's current review);
- Revaluation of fixed assets and the use of indexation; and
- Work in progress and accounting for partially completed spells.

In relation to mergers and acquisitions, the Manual will refer to the merger policy that Monitor is developing which will include accounting advice.

The proposed timetable for the production of this document is:

Consultation draft available	Beginning of October
Deadline for comments on consultation	Mid November
Final document published	Beginning of January
Training	February

We would welcome your comments on the:

1. proposed format of the manual;
2. proposed areas for guidance and whether there are any additional areas we should consider; and
3. timetable.