NHS foundation trust annual reporting manual 2017/18: update

January 2018
Updated April 2018
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Introduction


This document provides updates to the FT ARM, and should be treated as having the same status as the FT ARM. As with the FT ARM, substantive changes in text compared to last year’s requirements are shown in **bold italics**. Updating references to years are not shown in bold italics.

This document contains:

<table>
<thead>
<tr>
<th>Section</th>
<th>Area</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New paragraph 1.23</td>
<td>Annual audit letters</td>
<td>This is adding to the FT ARM the requirement that if the foundation trust is provided with an annual audit letter by its auditor, the trust must make the annual audit letter publicly available.</td>
</tr>
<tr>
<td>Update to paragraph 2.22</td>
<td>Invoice payment performance</td>
<td>Updating these requirements includes a disclosure of any liability to pay interest which arose during the year. <strong>This has been FURTHER UPDATED IN APRIL 2018.</strong></td>
</tr>
<tr>
<td>Update to paragraph 2.37</td>
<td>Senior managers paid more than £142,500</td>
<td>The threshold for this disclosure in the remuneration report has been changed from £142,500 to £150,000.</td>
</tr>
</tbody>
</table>
| Annex 6 to chapter 2 | Off-payroll arrangements disclosure requirements | The main changes to these disclosures compared to 2016/17 are:  
  - £220 per day has been updated to £245  
  - Former confirmation of risk-based assessment under table 1 has been removed  
  - Table 2 has been revised following changes to off payroll working rules (IR35) requirements. |
| Annex 7 to chapter 2 | Fair Pay Multiple | These requirements have not changed compared to 2016/17. |
Update to chapter 1: annual audit letters

A new paragraph is added as shown below. The existing paragraph 1.23 and subsequent paragraphs are renumbered to 1.24 and so on.

1.23  The National Audit Office’s guidance to auditors gives foundation trust auditors the option of issuing an annual audit letter. An annual audit letter is intended to be a public document and, if issued, foundation trusts must ensure that the document is made available to members of the public free of charge. The document should not be made publicly available until after the annual report and accounts have been laid before Parliament. NHS Improvement suggests that publication on the foundation trust’s website is the easiest way to ensure the annual audit letter is made available. Please note that many foundation trusts are not provided with annual audit letters as the auditor considers that their reporting obligations have been met through issuing the enhanced audit report, which is publicly available by virtue of its inclusion in the annual report and accounts.
Update to chapter 2: invoice payment performance

Paragraph 2.22 includes the requirement to disclose “a statement describing the better payment practice code, or any other policy adopted on payment of suppliers, and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 unless these are disclosed in the accounts”.

Section 113(7) of the Public Contract Regulations 2015\(^1\) includes a requirement for contracting authorities to “publish on the internet” similar but not identical information.

To simplify reporting in this area, NHS Improvement is updating the annual report requirement in the FT ARM to reflect the Public Contract Regulations requirements\(^2\).

The sixth bullet point of paragraph 2.22 is updated as follows, now split into two bullet points:

- a statement describing the better payment practice code, or any other policy adopted on payment of suppliers, and performance achieved. The disclosure of performance should include the number and value of (i) invoices paid within 30 days (ii) invoices that were or should have been paid within that 30 day period, and (iii) the proportion of (i) compared to (ii). To retain consistency with the disclosure made by NHS trusts, this should be split between NHS and non-NHS payables. This disclosure should also be split between (a) invoices relating to NHS healthcare contracts, (b) all other invoices and (c) the total. A tabular format is therefore recommended.

- the total amount of any liability to pay interest which accrued by virtue of failing to pay invoices within the 30 day period where obligated to do so, and the total amount of interest actually paid in discharge of any such liability; again broken down between

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\(^1\) [www.legislation.gov.uk/uksi/2015/102/contents/made](http://www.legislation.gov.uk/uksi/2015/102/contents/made)

\(^2\) The Public Contract Regulations require information to be made available “on the internet”. It is a matter for the trust whether publication of the annual report meets this requirement.
(a) invoices relating to NHS healthcare contracts, (b) all other invoices and (c) the total.

DRAFTING NOTE ADDED IN APRIL 2018: We updated this document in April 2018 to remove the requirement to report a split between NHS healthcare and other contracts. This is struck through in the text above. However the split between NHS and non-NHS payables is retained in the better payment practice code disclosure, with the revised text underlined above.
Update to chapter 2: senior manager pay

Paragraph 2.37 includes a specific disclosure requirement where senior managers are paid more than £142,500. In January 2018 the Civil Service approval threshold on which this is based changed to £150,000. The fourth bullet point in paragraph 2.37 is updated as follows:

- Where one or more senior managers are paid more than £150,000, the remuneration report should explain (not necessarily on an individual basis) the steps the foundation trust has taken to satisfy itself that this remuneration is reasonable. Pay for a part time senior manager should be compared against a pro rata of £150,000. For this disclosure, ‘pay’ should be considered to be columns (a), (b), (c) and (d) of the ‘single total figure table’ in paragraph 2.46.

Footnote 13 is updated as follows:

13 £150,000 is the threshold used in the Civil Service for approval by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office. The Cabinet Office approvals process does not apply to NHS foundation trusts but this is considered a suitable benchmark above which NHS foundation trusts should make this disclosure.
Annex 6 to Chapter 2: Off-payroll arrangements disclosure requirements

As part of the remuneration report, NHS foundation trusts should present the following data on their highly paid and/or senior off-payroll engagements.

The following is an extract from the Public Expenditure System (PES) paper \textit{(2017) 11} published by HM Treasury which sets out disclosure requirements in this area but is not available publicly.

\textbf{1. For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months:}

- the total number of existing engagements as of 31 March 2018
- the number that have existed for less than one year at time of reporting
- the number that have existed for between one and two years at time of reporting
- the number that have existed for between two and three years at time of reporting
- the number that have existed for between three and four years at time of reporting; and
- the number that have existed for four or more years at time of reporting.

Reporting of this should follow the format of Table 1 below.

\textbf{2. For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months:}

- the number of new engagements, or those that reached six months in duration, during the time period
- \textit{the number of these engagements which were assessed as within the scope of IR35}
- \textit{the number of these engagements which were assessed
as not within the scope of IR35

- the number that were engaged directly (via PSC contracted to trust) and are on the trust’s payroll
- the number that were reassessed for consistency/assurance purposes during the year and
- the number that saw a change to IR35 status following the consistency review.

Reporting of this should follow the format of Table 2 (below).

3. For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018 trusts must also disclose:

- the number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year¹
- details of the exceptional circumstances that led to each of these engagements
- details of the length of time each of these exceptional engagements lasted and
- the total number of individuals (both on and off-payroll) that have been deemed ‘board members and/or senior officials with significant financial responsibility’ during the financial year. This figure must include both off-payroll and on-payroll engagements.²

Reporting of this should follow the format of Table 3 (below).

¹ There should only be a very small number of off-payroll engagement of board members and/or senior officials with significant financial responsibility.

² As the total figure includes both on-payroll and off-payroll engagements, no entries here should be blank or zero.

Table formats

Table 1: For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

<table>
<thead>
<tr>
<th>Number of existing engagements as of 31 March 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which...</td>
</tr>
<tr>
<td>No. that have existed for less than one year at time</td>
</tr>
</tbody>
</table>
of reporting.

No. that have existed for between one and two years at time of reporting.

No. that have existed for between two and three years at time of reporting.

No. that have existed for between three and four years at time of reporting.

No. that have existed for four or more years at time of reporting.

| Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months |
|---|---|
| Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018 |  |
| Of which: |  |
| Number assessed as within the scope of IR35 |  |
| Number assessed as not within the scope of IR35 |  |
| Number engaged directly (via PSC contracted to trust) and are on the trust’s payroll |  |
| Number of engagements reassessed for consistency/assurance purposes during the year |  |
| Number of engagements that saw a change to IR35 status following the consistency review |  |

| Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018 |
|---|---|
| Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. |  |
| Number of individuals that have been deemed ‘board members and/or senior officials with significant financial responsibility’ during the financial year. This figure must include both off-payroll and on-payroll engagements. |  |

<table>
<thead>
<tr>
<th>In any cases where individuals are included within the first row of this table the trust should set out:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Details of the exceptional circumstances that led to each of these engagements.</td>
</tr>
<tr>
<td>• Details of the length of time each of these exceptional engagements lasted.</td>
</tr>
</tbody>
</table>
Foundation trusts must report:
(a) the median remuneration of all staff
(b) the mid-point of the banded remuneration (remuneration includes that paid for work other than as a director) of the highest paid director, whether or not this is the Accounting Officer or chief executive and
(c) the ratio between the median remuneration of the reporting entity’s staff and the highest paid director figure.

The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis. Where there is a sharing arrangement, it is cost to the entity of an individual that identifies them as “highest paid” and not the total of that individual’s remuneration. Termination benefits must be excluded from the calculation of the highest-paid director’s/member’s salary to avoid distorting the ratio.

The following is an extract from the Public Expenditure System (PES) paper (2017) 11 published by HM Treasury which sets out disclosure requirements in this area but is not available publicly.

For ‘Department’ please substitute ‘Foundation trust’.

15.1 Departments should include in their Annual Report and Accounts a narrative highlighting the reasons for any variance in year-on-year multiples. This is because:
- it describes the purpose of including the ratios, and what they mean;
- it ensures transparency in executive remuneration;
- it allows citizens to hold government to account for their use of public funds; and
- it provides departments an opportunity to monitor their own remuneration and note any adverse or anomalous trends.

15.2 The narrative should be concise and clearly linked to the figures disclosed in the remuneration report, and use terms that are easily understandable by the public.

15.3 The narrative should be introduced by the following text:
“Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation’s workforce.”
The banded remuneration of the highest paid director in [the organisation] in the financial year 201X-1Y was £xx (201W-1X, £xx). This was — times (201W-1X,-) the median remuneration of the workforce, which was £xx (201W-1X, £xx).

In 201X-1Y, xx (201W-1X, xx) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £xx to £xx (201W-1X £xx-£xx)

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions."

15.4 It should then be followed by a concise and factual explanation of the changes on either side of the ratio, taking into account where relevant:

- Adjustment to the number or composition of the general workforce (e.g. through restructuring, downsizing and outsourcing);
- A change to the remuneration of the most highly paid director. Departments should note that this may not necessarily be an increase to base pay, but a change in taxable expenses or allowances. Where the allowance is temporary (e.g. relocation allowance), departments should note this and its likely impact on the pay multiple;
- A change of the most highly paid director (e.g. a new appointment, or the previously highest paid post having been vacated and/or eliminated);
- The impact of any pay freeze on the multiple (e.g. senior pay freeze that does not affect the majority of staff.); and
- The relationship between the remuneration of most highly paid director and that of employees who are not directors but receive remuneration in excess of the most highly paid director.

15.5 The above list is not exhaustive and should be treated only as general guidance. It is not intended to act as a checklist of justifications for higher multiples.