

Annex B – In-year amendments to the 2020-21 FReM

The 2020-21 Government Financial Reporting Manual (FReM) has been reviewed and amended. This document lists all the changes made to the existing 2020-21 FReM (published in December 2019) reflected in the draft 2021-22 version.

Paragraph(s)	Change	Reason for change
Throughout	<p>The FReM has been reformatted so the styling is consistent with other HM Treasury publications, such as Managing Public Money, the Consolidated Budgeting Guidance and IFRS 9, 15 and 16 application guidance.</p> <p>Links have been added to make the FReM easier to navigate.</p> <p>Note the structure of the 2020-21 FReM is unchanged from the version presented at the November 2019 FRAB meeting.</p>	<p>The changes are mainly aesthetic, however, users should find the FReM easier to navigate than previous versions.</p>
1.1.4 & 1.1.5	<p>Paragraphs added to explain the legislative authority for issuing the FReM.</p>	<p>To provide users background information on why HM Treasury issues the FReM.</p>
1.1.8	<p>Paragraph added to explain how entities can access certain additional guidance such as PES papers and Employer Pension Notices.</p>	<p>The FReM includes references to PES papers and EPNs in multiple chapters, but assumes users know how to access these additional pieces of guidance. The addition of this paragraph makes it clear where these additional pieces of guidance can be found.</p>

Paragraph(s)	Change	Reason for change
1.2.1	Paragraph amended to clarify that the FReM may apply to entities directed to follow the FReM by their relevant authority but are not consolidated into the Whole of Government Accounts.	Clarification of the scope of the FReM as explained in the revision to the paragraph.
Figure 1 below para 1.4.4	The headings have been updated so they are clearer.	Explained in 'Change' column.
1.5.1	Minor wording change to improve clarity of guidance.	Explained in 'Change' column.
2.3.3	Wording change to improve clarity of guidance.	Explained in 'Change' column.
2.4.2	Removal of the last sentence as it is duplicated in paragraph 2.4.4	Removal of duplicated sentence.
2.4.3, 4.5.4, 6.6.2	Updated 'National Assembly for Wales' with the Senedd.	Name changed in line with the Senedd and Elections (Wales) Act 2020
2.6.1 – 2.6.14	Ordering of paragraphs changed.	Order of paragraphs changed so the section has a more logical flow.
2.6.5, 2.6.6, 2.6.7, 2.6.8, 2.6.9, 2.6.10, 2.6.11, 2.6.12, 2.6.13, 3.4.5, 3.7.1(d-e)	Additional guidance for users to apply materiality to the performance and accountability reports, decide what to include in these reports and explain the importance of linkages. All guidance is adapted from the FRC Guidance on the Strategic Report except for 2.6.8 which is from guidance published by the ICAEW.	It provides useful guidance to users of the FReM when preparing their annual report. Many of the principles in the FRC's guidance are equally applicable to public sector annual reports and accounts.

Paragraph(s)	Change	Reason for change
2.6.12	Paragraph updated to explain why longer annual reports are not necessarily better. Added new subtitle above paragraph as well.	Explained in the 'Change' column.
2.6.11	Paragraph updated so it is more concise.	Explained in the 'Change' column.
2.6.20	Paragraph amended so make is clearer that cost being a reason for not following best practice in a comply or explain scenario is expected to be rare.	Explained in the 'Change' column.
3.5.4 and 3.5.7	Paragraph split out to help the logical flow of the section.	Explained in the 'Change' column.
3.5.5	Paragraph added to provide a link to ONS guidance on using data visualisations in reports.	Explained in the 'Change' column.
3.5.8	Paragraph added to provide guidance on choosing design choices	Explained in the 'Change' column.
3.5.9	Paragraph added to provide a link to government guidance on how to make reports more accessible.	Explained in the 'Change' column.
3.6.1	Minor drafting change to help with clarity of guidance.	Explained in the 'Change' column.
4.1.2	Minor drafting change to help with clarity of guidance.	Explained in the 'Change' column.
4.1.4	Correction of grammatical error.	Explained in the 'Change' column.

Paragraph(s)	Change	Reason for change
4.2.5 (b)(iv)	Deleted the words 'or by its Board members and staff' as comments made by the Board members and staff of the IASB may be their own rather than of the IASB.	Explained in the 'Change' column.
4.3.6	Paragraph amended to clarify that the relevant authority will consider the treatment of non-coterminous year ends where a subsidiary has a year end more than 3 months from the year end of the department.	This change was made to align the requirement with IFRS 10 para B93.
4.4.1	Amendment made to this paragraph to more closely align the guidance with the Scottish Public Finance Manual.	Explained in the 'Change' column.
4.3.3	Paragraph added to split out Northern Ireland reporting requirements from Welsh reporting requirements.	Explained in the 'Change' column.
4.4.12	Removal of reference to SI 2013/1970	Once statutory instruments (SI) have been incorporated into the Companies Act there shouldn't be a need to continually refer to the SI. Reference to the Companies Act should be sufficient at that point.
4.5.1	Paragraph added to clarify that entities should not amend annual reports and accounts which have been certified by the Comptroller and Auditor General (or other appointed auditor) without first discussing with the relevant external audit team.	Explained in the 'Change' column.
4.5.2, 4.5.3, 4.5.3	Clarifications made that the entity publishes their annual reports and accounts.	Explained in the 'Change' column.

Paragraph(s)	Change	Reason for change
5.2.3 (third bullet)	Amendment made to spell out the SOPS acronym for the first time.	Explained in the 'Change' column.
5.3.2, 5.3.3(e-f), 5.4.4, 5.4.12	Removal of requirement of departments to report against Single Departmental Plans and replace with a requirement to report against their strategic objectives.	<p>Earlier in the year HM Treasury and the Cabinet Office wrote to Heads of Departments and the PAC that Ministers have agreed not to ask departments to provide or publish Single Departmental Plans this year.</p> <p>Amendments to performance reporting requirements have therefore been amended to reflect this change.</p>
5.4.4 (a)(ii)	Paragraph deleted.	Paragraph deleted as new priority outcomes are being agreed as part of SR 20, which will be reported against from 2021-22.
5.4.4 (f-m)	Change of requirement from comply or explain to mandatory where relevant to the entity.	On reflection, none of these requirements did not fit into the comply or explain category.
5.4.6 (b)	Inclusion of a new best practice requirement for entities to explain how they are improving equality of service provision to service users.	Refer to FRAB papers for the November 2020 meeting.
5.4.9	Added footnote with link to further guidance on what 'rural proofing' is.	Explained in the 'Change' column.
6.1.4	Explained what the PES acronym stands for.	Explained in the 'Change' column.
6.5.11	Amendment made to paragraph so it reads clearly.	Explained in the 'Change' column.

Paragraph(s)	Change	Reason for change
6.5.16(e)	Link added for calculation of staff turnover percentage.	Explained in the 'Change' column.
6.5.17 – 6.5.24	Addition of a new best practice disclosure covering how the entity has promoted or promotes improved diversity and inclusion of its own workforce.	Refer to FRAB papers for the November 2020 meeting.
6.7.1(b)	Amendment made to clarify that HM Treasury publishes the contingent liability approval framework guidance.	Explained in the 'Change' column.
6.7.1(c)	Amendment to clarify the cost allocation and charging requirements are set out in MPM	Explained in the 'Change' column.
8.2.2 Table 2	Added cross references between adaptations and interpretations and the paragraph(s) in the relevant IAS/ IFRS being adapted or interpreted by the FReM.	Assists users to understand where the adaptation or interpretation derives from.
8.2.2 Table 2	IFRS 9 interpretation 4- spelt out the PES acronym.	Explained in the 'Change' column.
8.2.2 Table 2	Added an IFRS 9 adaptation to clarify that financial instrument balances within a group are not expected to be covered by exception from recognising expected credit losses as explained in IFRS 9 adaptation 1.	Refer to FRAB papers for the November 2020 meeting.
8.2.2 Table 2	IAS 19 adaptation 5 amended to clarify that the rate to discount balances is the pension's rate promulgated in PES papers.	Clarification made as it was not clear what pension rate the entity was supposed to use.

Paragraph(s)	Change	Reason for change
Above 9.1.6 and 9.1.10- and paragraph 9.1.10	Heading 'Transfer by Merger' added above paragraph 9.1.6 Paragraph 9.1.8 split out into paragraphs 9.1.8 and 9.1.9 Heading 'Transfer by Absorption' added above paragraph 9.1.10	All three of these changes have been made to make the section easier to read.
9.1.10 last bullet	Amendment made to make the bullet read more clearly.	Explained in the 'Change' column.
10.1.60	Removal of potentially out-of-date Treasury discount rate for investment appraisal purposes.	Explained in the 'Change' column.
Various including 7.4.2, 7.4.4, 7.6.15, Table 1 in 8.1.2, Table 2 in 8.2, 10.1.56, deletion of 'Right of use assets' section (10.2), PPP flowchart after 10.1.53,	Changes made to remove IFRS 16 guidance and replace with IAS 17 guidance from the 2019-20 FReM due to the deferral of implementing IFRS 16 in central government to 2021-22	Explained in the 'Change' column.
Annex 4	Link updated for the Building Public Trust Awards – good practice in annual reports publication and added a link for the FRC Guidance on the Strategic Report.	Explained in the 'Change' column.
Annex 4	Added new link to FRC Guidance on the Strategic Report.	This is helpful guidance accounts preparers can use when preparing their annual report.