



Financial Reporting Advisory Board Paper

Simplifying and Streamlining Central Government Annual Report and Accounts

Issue:	<p>HM Treasury is currently undertaking a project aimed at simplifying and streamlining the presentation of the statutory annual reports and accounts produced by central government entities. The aim is to better meet the needs of the users of the accounts and, where appropriate, to remove unnecessary burdens from the preparer community.</p> <p>Detailed design work enabled the publication of a Command Paper prior to summer recess. Comments on the proposals have been received from the Liaison Committee and the Environmental Audit Committee. Proposed amendments have also been made to the 2015-16 FReM to introduce the changes arising from the project and a number of departments and other entities have responded to the published Exposure Draft.</p> <p>This paper provides the Board with an overview of these responses and how HM Treasury will respond to them. The next steps for the project are also noted.</p>
Impact on guidance:	Guidance will be updated to reflect changes
IAS/IFRS adaptation?	Yes – with respect to financial statement presentation
Impact on WGA?	No
IPSAS compliant?	To the extent IPSAS is compliant with IFRS.
Interpretation for the public sector context?	Yes – with respect to financial statement presentation
Impact on budgetary regime?	No
Alignment with National Accounts	N/A
Impact on Estimates?	No. Following feedback from Parliament the format of the Statement of Parliamentary Supply will not be change.
Recommendation:	That the Board note the responses from Parliament and the changes that are being introduced into the 2015-16 FReM and proformas as a result of the project. Members are encouraged to provide their views on the changes made.
Timing:	Changes are being introduced in the 2015-16 FReM.

DETAIL

Background

1. The overall purpose of the Simplifying and Streamlining Annual Reports and Accounts project is to simplify and streamline the presentation of the statutory Annual Reports and Accounts (ARA) produced by central government entities so as to better meet the needs of the users of the accounts and, where appropriate, to remove unnecessary burdens from the preparer community. At FRAB 121 the Board was provided with an overview of the detailed design work that has been undertaken to enable a Command Paper to be produced prior to Summer Recess.
2. The Command Paper was published prior to summer recess and comments have been received from the Liaison Committee and Environmental Audit Committee. Proposed changes to the FReM for 2015-16 were also exposed and a number of responses were also received from departments and other entities.
3. This paper provides a summary of these responses and how HM Treasury is responding to the in the 2015-16 FReM. It also provides an indication of further work that will be being undertaken on the Simplifying and Streamlining Annual Report and Accounts project once this stage of the project has been completed.

Command Paper Responses

Liaison Committee

4. The Liaison Committee response confirms their general support for the shape of the reforms set out in the consultation paper and welcome the proposed restructuring of the Annual Report and Accounts, the introduction of a new performance section, and the proposed separation of sections for accountability and the financial statements. The Committee has, however, expressed some concerns that it is necessary for HM Treasury to respond to. These are listed below along with the proposed response. HM Treasury has not yet formally responded to the Liaison Committee on these points as the views of Board members will be useful in helping confirm the proposed position.

Area of concern raised	Proposed response in the 2015-16 FReM
While sensible discretion should be exercised in what is included within an Annual Report and Accounts, there must be a framework which ensures that objectivity remains. One way that this could be achieved, while allowing greater flexibility, would be to make the ARA subject to the private sector requirement to report throughout in a way that is "fair, balanced and understandable"	HM Treasury has exposed changes to the FReM for 2015-16 with this requirement including in the Statement of Accounting Officer's Responsibilities.
The Committee is concerned that greater flexibility in reporting of performance may mean more frequent changes to the way performance is measured or even retrospective changes to performance measures after the event. For this reason changes in measures used should only made with good justification and the Department should explain the reasons for such a change	HM Treasury recognises that this is a potential issue and will work with the Cabinet Office who have overall responsibility for the performance reporting regime to ensure stability and transparency. This is not an issue for the 2015-16 FReM.

and consult with the relevant select committee in advance.	
Where particular performance information no longer included is still required by particular select committees, the relevant committee must be satisfied that there are suitable arrangements in place for providing this information.	HM Treasury will respond to request from Committee's to ensure that information that is valued by users is still available. To date HM Treasury has received one specific comment from the Environmental Audit Committee relating to sustainability reporting and this is discussed further below.
Do not agree with proposal to remove prior year figures from the SoPS.	HM Treasury has withdrawn this proposal.
Strongly support improved presentation and ask for accounting information to be made routinely available in electronic format to aid those briefing committees.	HM Treasury will work with departments to ensure that financial information is routinely available electronically.
There must be no diminution in the standards of audit applied.	HM Treasury agrees and will continue to work with the NAO to ensure there is clarity over the scope of the information included within the opinion on the audit certificate.

Environmental Audit Committee

5. In addition to the response from the Liaison Committee, a response was also received from the Environmental Audit Committee specifically focused on sustainability reporting.

6. HM Treasury supports reporting on sustainability, having introduced in 2010-11 a requirement for all entities that must report against the Greening Government Commitments to include a sustainability report in the ARA. This report is focused on environmental sustainability, with further reporting on other aspects of sustainability encouraged.

7. In addition to the HM Treasury mandated sustainability report, there are further reporting requirements on sustainable development, adapting to climate change and rural proofing that departments must comply with. Departments are required to include a description of progress in year, in particular on the sustainable development commitments set out in the business plan. This includes (a) progress on the departments tailored sustainable development statement (b) assessing and managing social and environmental impacts and opportunities in policy development and decision-making (c) progress on the department's plan to deliver on Greening Government Commitments and (d) progress on procuring from small businesses. Departments are also expected to report on other policies or projects making a significant contribution to sustainable development and how they are mainstreaming the value of nature in decision-making.

8. For adapting to climate change departments are required to include a general statement giving assurance that action has been taken to ensure that those policies with long-term implications are robust in the face of climate change. They are also required to note any follow-up actions from the previous year's report and highlight key policies where impact on future climate has been a key consideration.

9. For rural proofing, departments are required to provide information on how rural proofing is applied to all aspects of policy development and implementation cycles.

10. Where not already including in other reporting, departments are also required to note how sustainable development is embedded in overall governance, decision making and assurance processes and how staff learning and participation is supported.

11. Feedback obtained from preparers during stage 3 of the project was that the current reporting framework was onerous and led to a departmental focus on meeting disclosure requirements rather than looking to fully embed sustainable development.

12. Under the simplified framework, therefore, HM Treasury proposed that performance on sustainable development will be included in the ARA as a key performance measure that the department measures itself against and/or in the manner in which sustainable development is embedded in other performance measures. There will also be a minimum requirement set for reporting on certain high-level indicators that form the basis of the Greening Government Commitments. This will align with compulsory requirements for certain private sector entities to now report on Greenhouse Gas Emissions but will have a wider scope to include:

- Greenhouse gas emissions;
- Waste;
- Water consumption; and
- Procurement.

13. Requirements to produce a standalone HM Treasury sustainability report were to be removed, as the continued reporting on high-level indicators forming the Greening Government Commitments would effectively mirror the current standalone requirements. Entities were, however, to be given the freedom to include a standalone report should they wish.

14. The Environmental Audit Committee have noted concerns about the removal of separate sustainability reporting. Their view is that if departments are embedding sustainable development then it would be relatively straightforward to capture the results for reporting purposes. They further note that compliance with sustainability reporting requirements to date have been patchy and that the Treasury should be ensuring compliance overall. Finally, they wish to know why a separate sustainability report cannot be retained alongside other Annual Report rationalisations.

15. HM Treasury is aware that the NAO is conducting a study on sustainability reporting at present which will form the basis for a "legacy report" by the Environmental Audit Committee early next year on work and issues related to sustainable development since 2010. We expect to see the draft of the NAO study in early December and intend to respond to the Environmental Audit Committee fully once we have seen this study.

16. HM Treasury is clear that the proposals put forward will enhance rather than diminish sustainability reporting. Those entities in the public and private sector that are recognised as providing the best sustainability reporting are those that integrate the reporting throughout their Annual Report and Accounts rather than have standalone sections dealing solely with sustainability. In order to align with wider government commitments and Companies Act requirements HM Treasury is also going to continue to require entities to report performance against the Greening Government Commitments which ensures that transparency over these specific areas will be maintained.

17. Until this issue is resolved, however, the wording on sustainability reporting in the FReM will be designed to allow a range of possibilities on sustainability reporting and additional guidance will be provided to entities.

Response to the FReM 2015-16 Exposure Draft

18. In addition to these responses to the Command Paper, a number of responses were also received to the Exposure Draft that incorporated the expected changes into the draft 2015-16 FReM. These are included in the Annex along with HM Treasury comments and any proposed changes made to the FReM as a result of the response.

19. In general respondents have shown a strong level of support for the proposals, which is reflective of the excellent support HM Treasury has had from stakeholders throughout the project when developing these changes.

20. Where deemed necessary, changes have been made to the draft FReM 2015-16 and proformas that have been presented to the Board in FRAB (122) 07.

21. Members views are specifically sought on the following:

- (i) Should there be a retention of a SOPS narrative in the accounts explaining the difference between the SOPS and SOCNE?
- (ii) Should entities with over 250 staff comply with Companies Act requirements for reporting on company policy for ensuring employee involvement in matters of concern to them, and providing employees with relevant information?
- (iii) That in the event there are differences in the annual report framework set by the relevant authorities around certain disclosures these will not be considered as new divergences from the FReM?

Next Steps for the project

22. The project's initial recommendations were based around three sets of actions. First, there were those that could be undertaken immediately, i.e. the red pen approach, FD ownership and challenge, and clarification of existing guidance. The second stage was the first principles approach to financial reporting that the Command Paper and changes to the FReM for 2015-16 have looked to introduce.

23. The third stage is the movement towards group reporting – whereby there would be a primary focus on ensuring departmental group accounts were audited first – and the “FReM light” for smaller entities. HM Treasury will begin to examine the practicalities of the third stage in 2015, with a primary focus on the extent to which financial management improvements can be achieved at the same time as ensuring accountability to Parliament is maintained under any new arrangements.

Summary and recommendation

24. That the Board note and comment on the responses from Parliament on the Streamlining and Simplification Project and responses from stakeholders following the consultation exercise. It is also recommended that the Board review the proposed changes to the 2015-16 FReM and illustrative statements which incorporate the principles of the Simplifying and Streamlining Annual Report and Accounts Project.

HM Treasury
27 November 2014



Respondent	Summarised response	HMT response where applicable
DFPNI	<p>Mainly supportive of the proposals, and agree with the effective date. Following specific points raised:</p> <ul style="list-style-type: none">(i) NI currently do not produce common core tables and therefore this would be a new requirement. There were some concerns about the additional burden and need to learn how this is currently being done.(ii) The importance of agreeing materiality regarding disclosure with auditors was stressed.(iii) Suggestion that the illustrative examples in Annex B should be included in the FReM	<ul style="list-style-type: none">(i) If not a current requirement and users have expressed no need to include, recommend not to introduce common core tables.(ii) Agree that it will be important for entities to agree materiality with auditors.(iii) Do not consider it appropriate to include in the FReM but will ensure that this is available on gov.uk as a useful reference.
ACCA	<p>Overall supportive of the project and its vision, with the following specific points made:</p> <ul style="list-style-type: none">(i) Supportive of Treasury's commitment to examine the appropriateness of new reporting developments such as integrated reporting.(ii) Supportive of the aim not to have standard templates, but instead provide guiding principles for preparing the Executive Summary.(iii) Important to make the bigger links to public service delivery such as the delivery of quality services, new government initiatives and policies. The proposals could go further in making cross departmental connections, including linking outcomes versus input.(iv) Suggest an assessment is undertaken of both quality and usefulness of the Annual Governance Statement. Including whether it provides users the assurance as to whether there is a strong ethical culture in place.	<ul style="list-style-type: none">(i) Noted, no action.(ii) Noted, no action.(iii) Noted, no action.(iv) The Governance Statement is a significant improvement on the previous Statement on Internal Control. HM Treasury will continue to work with entities and the NAO to ensure that it is meeting user needs.

	<p>(v) Suggest reporting material balances should be a minimum requirement and wider commentary should be welcomed provided it is succinct.</p> <p>(vi) Supportive of the sustainability reporting being included in the performance section. Important for the non-executive director report to remain separate from the director's report either the accountability section or the overview section immediately following the Minister's/Chief Executives statement.</p> <p>(vii) Highly supportive of the proposition to move to a format that is more compatible with the private sector and Whole of Government Accounts formats.</p>	<p>(v) HM Treasury agrees that where wider commentary is useful to users it should be included. Statement added 1.2.1(c).</p> <p>(vi) Noted, no action.</p> <p>(vii) Agree that it is important for the non-executive director report to remain separate in the Accountability Report.</p> <p>(viii) Noted, no action.</p>
DEFRA	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <p>(i) Guidance on applying materiality to the financial statements would be a useful tool.</p> <p>(ii) It would be beneficial if all guidance came out together i.e. PES; EPN; main FReM changes (with minimal or no changes expected), ideally, no later than December 2014.</p> <p>(iii) Query as to whether Department Yellow templates will still be issued by HMT.</p> <p>(iv) Note that it feels as though requirements are not being reduced by just moved.</p>	<p>(i) Materiality in the public sector relates not only to value but also context. For this reason it is difficult to provide guidance that would be easily applicable to all entities.</p> <p>(ii) HM Treasury aims to release all guidance prior to Christmas recess. HM treasury is working closely with the Cabinet Office to ensure other guidance is also released by this date where possible.</p> <p>(iii) Department Yellow (and other guidance proformas) will still be produced.</p> <p>(iv) The project aims to ensure that the ARA is more useful to users. Where possible burden on preparers are being removed but HM Treasury does recognise that for audit and WGA</p>

	<ul style="list-style-type: none"> (v) Query whether both the Sustainability Report and the sustainable development narrative requirements for the performance section of the ARA will both still be required. (vi) Confirmation sought as to whether these amendments to all public bodies who follow the FReM, i.e. not just departments but also our Network Bodies. 	<p>purposes entities will still have to prepare many of the disclosure notes event if not included in the accounts.</p> <ul style="list-style-type: none"> (v) See Environmental Audit Committee section in main paper. (vi) The main focus of the project has been on departmental group accounts. HM Treasury would, however, expect all network bodies to follow the new guidance in the FReM to the extent relevant to their circumstances while ensuring compliance with other statutory obligations.
DWP	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <ul style="list-style-type: none"> (i) Due to structural changes the core tables will always be unable to reconcile to the other financial statements so the issue of confusion remains a problem. (ii) Where core tables are being removed due to the information being available elsewhere in the public domain, it would be helpful to point the reader to the alternative source, at least in the early years of adopting the new format. 	<ul style="list-style-type: none"> (i) HM Treasury agrees with this point but is responding to user needs to maintain some core tables. (ii) Guidance will be provided indicating where information is available.
Exchequer Funds and Accounts	<ul style="list-style-type: none"> (i) The format of the Statement of Cash Flows needs to be modified as amounts paid to the Consolidated Fund should not be included in the financing section and instead the line 'Payments of amounts due to the Consolidated Fund' should be added back under the financing section as in the current format. 	<ul style="list-style-type: none"> (i) Proforma Statement of Cash Flows amended.

	(ii) Confirmation needed that the Supply issued from the Consolidated Fund will still be split between current year and prior year and that the line 'Excess cash paid to the Consolidated Fund' will remain.	(ii) Proforma Statement of Cash Flows amended.
DECC	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <p>(i) Supportive of the streamlining of SOPS reporting however concern about timing of producing information for a more integrated reporting approach.</p> <p>(ii) Concerned about the removal of published accounting policies as this may compromise the usefulness of account when different treatments are available.</p> <p>(iii) Believe that section 5.4.6 will allow entities to present the SoCNE in a more meaningful manner which will help provide clarity to the user. The Authority may look to use this provision to illustrate the disproportionate effect changing provisions assumptions/balance has on the SoCNE etc.</p>	<p>(i) Noted. HM Treasury consider that the reporting timetable is achievable.</p> <p>(ii) HM Treasury is proposing that the notes to the accounts must include a statement that the accounts have been prepared in accordance with International Financial Reporting Standards as adapted and interpreted by this Manual. Where an entity believes that additional information on accounting policies is necessary to assist users then they should be included. This could be in the accounting policy note or next to an individual disclosure note.</p> <p>(iii) Noted, will keep under review.</p>
MOD	(i) Agree with proposals and the proposed effective date.	(i) Noted, no action.
HMRC	Overall supportive of the proposals, and agree the effective date, with the following points raised:	

	<ul style="list-style-type: none"> (i) Request to clarify in the guidance that the 'Proposed amendment' section narrative relates to the Statement of Parliamentary Supply (SOPS) rather than the main financial statement notes. (ii) Suggestion that narrative will need to be included somewhere (e.g. within the SOPS itself or SOPS note 2) to explain the different accounting between the SOPS and the SoCNE. (iii) Suggestion that the deletion of SOPS note 3.2, which reconciles the net admin costs in the SOPS to the net admin cost in the SoCNE, may be confusing for the reader as these two differing numbers will not be explained. Unless the suggestion is to remove the Administration cost disclosure from the SOPS itself. (iv) Query whether a reference in section 5.2.1 to the Directors' Report in the performance report section should be included in the accountability report section rather than the performance report section. (v) Supportive of the removal of sections of FReM that are covered in relevant accounting standards however suggest that the section on fees and charges should remain as this is government specific (5.4.16). (vi) Confirmation that it is the intention for the Estimate to retain the separate admin/programme approach even though this is being removed from the SoCNE. 	<ul style="list-style-type: none"> (i) Confirmed. (ii) HM Treasury will seek the opinion of FRAB members. (iii) No action - reconciliation not necessary. (iv) Agreed, reference already in Accountability Report. (v) Reference to relevant fees and charges disclosures included within FReM, section 5.4.22. (vi) Yes we confirm that this will be retained in the Estimate.
<p>Monitor</p>	<p>Overall supportive of the proposals, and agree the effective date, with the following points raised:</p> <ul style="list-style-type: none"> (i) Suggestion that the omitted disclosure requirement in performance report is retained but moved to the accounts - paragraph 5.2.8(i) which requires "an explanation [in the strategic report] of the adoption of the going concern basis where this might be called into doubt". In some parts of the public sector auditors may need to record an emphasis of matter on going concern in their audit report (e.g. FTs in receipt of financial support). This disclosure being maintained and moved to the accounts section would help allay the comments raised by FT auditors. (ii) Suggest disclosures about information on personal data related incidents (5.3.9(f)) should be reported as a control weakness in the governance statement rather than the directors' report 	<ul style="list-style-type: none"> (i) Requirement for a disclosure note relating to an explanation of doubt over a going concern basis retained. Section 5.2.8. (ii) Leave in directors' report but would also expect to see reference to this as a control weakness in the governance statement if occurred.

	<p>(iii) Clarity as to whether entities are required to include the statement required by 418(2) of the Companies Act about the disclosure of information to auditors.</p> <p>(iv) Suggest that paragraphs 5.3.17 and 5.3.18 are rewritten to further encourage disclosure of staff remuneration information in as many circumstances as possible. Reference made to the equivalent paragraph in the FT ARM.</p> <p>(v) Noting that although simplifying the account means not adopting all of the requirements of the Companies Act there may be some aspects that would be beneficial to retain:</p> <ul style="list-style-type: none"> a. Part 2 of Schedule 8 (annual statement on remuneration)- clear explanation would be beneficial to local and Parliamentary accountability; b. Part 4 of Schedule 8 (description of components in directors' remuneration packages) – this is likely to be simple in most cases and in the rare case that it is complex, the disclosure would aid accountability; c. Paragraph 12 of Part 3 of Schedule 8 (disclosure of performance measures etc. for performance pay and bonuses) – unlikely to be relevant in most cases but important for accountability where relevant. <p>(vi) Clarity sought that disclosure regarding compensation for early retirement or for loss of office relates to only directors, not all staff (5.3.23).</p> <p>(vii) Suggestion that disclosure of the fair pay multiple is subject to audit by adding this to the list of items subject to audit in paragraph 5.3.4.</p> <p>(viii) Suggestion that the analysis of staff numbers disclosure is maintained within the accounts (not moved to the annual report) and is therefore subject to audit and that the Staff Report in the new annual report should include a requirement to cross-refer.</p> <p>(ix) Clarity as to why paragraph 5.3.27(e) which deals with staff policies contains the requirements of the Companies Act regarding employment of disabled persons but does not include the requirements of paragraph 11(3) on employee involvement.</p> <p>(x) Suggestion that the disclosure of exit packages is subject to audit (as it currently is but reading of the guidance suggest that it will not be in the future) by adding it to the list in paragraph 5.3.4 and add to paragraph 5.4.24 that the disclosure in the accounts on staff costs should include a reference to where the exit packages disclosure can be found.</p>	<p>(iii) Not currently required and not included in 2015-16 FReM.</p> <p>(iv) Further reference will be given in the Annual Report and Accounts guidance promulgated via PES paper.</p> <p>(v) No separate requirement to include though entities may make additional reference if they prefer. Significant disclosures already required in the remuneration report.</p> <p>(vi) Relates to all staff.</p> <p>(vii) Added to paragraph 5.3.4 for requirement for inclusion within accountability report for identified as audited.</p> <p>(viii) Retain in staff report (within the Accountability Report).</p> <p>(ix) HM treasury will consult with the FRAB on this issue.</p> <p>(x) Agreed, include reference within 5.3.4 for requirement for inclusion within accountability report for identified as audited.</p>
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	<p>(xi) Noted that paragraph 5.4.27 regarding accounts disclosures for PFI requires, for on-balance sheet arrangements, disclosure of 'future total rental due' and present values is a change from the 2014/15 FReM requirements to disclosure 'total commitments with their present value' and clarity sought as to whether this is intentional. Monitor intends to consult with FTs in 2015/16 on requiring FTs to include an accounts disclosure explaining the split of the unitary payment and the total commitments under the service concession scheme. This would be to ensure that disclosures did not just include the total finance and service elements due but captured everything payable under a service commitment contract which will include lifecycle and other changes.</p> <p>(xii) Note the reference in paragraph 5.1.10 regarding summary financial information complying with s426 of the Companies Act is out of date. SI(2013)1970 made significant changes to this section including replacing the terminology with 'strategic report'. Changes will need to be considered further as the proposed FReM amendments does not include a 'strategic report' as envisaged by the Companies Act.</p> <p>(xiii) Clarity sought that if relevant authorities retain disclosures such as those noted in 5.2.10 and 5.3.9 (referring to entities also complying with disclosures required by guidance issued by the relevant authorities) they will not be considered as new divergences from the FReM and therefore not need to be considered by the FRAB. This based on the assumption that they are within the annual report framework and are mindful of the spirit of this simplifying and streamlining project.</p> <p>(xiv) Note of a potential typographical error in paragraph 5.3.9(f) 'formerly' should be 'formally'.</p> <p>(xv) Supportive of paragraph 5.3.22 which maintains the disclosure of the CETV table for pension entitlements. This is understood by users of the annual report and accounts and the information is required by the entity to calculate the pension increase in the single figure table.</p>	<p>(xi) Amend wording to, "...total commitments with their present value".</p> <p>(xii) Amend reference to SI(2013) 1970 which changes terminology to "Strategic report with supplementary material." Substance remains unchanged.</p> <p>(xiii) Confirmation that these would not be considered as new if they are based on the current requirements and are in the spirit of this project. HM Treasury will confirm this with FRAB members.</p> <p>(xiv) Agreed, updated.</p> <p>(xv) No action.</p>
DH	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <p>(i) Draft amendments on reducing Parliamentary accountability disclosures are useful.</p>	<p>(i) No action</p>

	<ul style="list-style-type: none"> (ii) Clarity around the structure of the ARA's separate headings is welcomed. (iii) The department is already making progress on a more streamline and user-friendly version of their ARA. (iv) NHS colleagues noted that the amendments were mainly of concern to the core departments and unclear about the benefits to preparers of ALBs. DH are seeking to reflect the FReM improvements on its own guidance to NHS bodies. 	<ul style="list-style-type: none"> (ii) No action. (iii) No action. (iv) The main focus of the project has been on departmental group accounts. HM Treasury would, however, expect all network bodies to follow the new guidance in the FReM to the extent relevant to their circumstances while ensuring compliance with other statutory obligations.
<p>Respondent asked to remain anonymous</p>	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <ul style="list-style-type: none"> (i) Noted that certain recommendations from the Project were not included in the revised FReM, including: <ul style="list-style-type: none"> a. high level financial information with cross references to the audited accounts; b. trend information based upon segmental/management information data; c. commentary against trends and performance against policy; and d. expected future policy changes. (ii) Suggestion that it should be made explicit in any future guidance that summarises the changes to the FReM that the assessment of which balances are material should include a consideration of the value and nature of the balances. (iii) Clarity sought as to whether elements of the SOPS that can be published as an Annex to the Annual Report are still within the scope of the Audit Opinion. (iv) Suggestion that the FReM should include reference to illustrative statements to ensure that updated requirements are clear, now that the SoCNE template has been removed from the FReM. (v) Query as to whether guidance will be provided to entities outlining the financial information (5.2.10) should be included or whether this will be up to the 	<ul style="list-style-type: none"> (i) This information is included within the spirit of the revised format. (ii) To be included within guidance given by HM Treasury through PES papers. (iii) Confirm with NAO. (iv) Reference in 5.1.4

	<p>discretion of the entity.</p> <p>(vi) Suggestion to make it clear in the FReM that the removal of accounting policies is only from the SOPS and it is still a requirement that in the notes to the accounts entities disclose accounting policies for all material items.</p> <p>(vii) Noted that some entities have senior managers in higher pay bands are not always SCS and therefore would not be included in the suggested requirements to disclose SCSD numbers by pay band.</p>	<p>(v) This will be at the discretion of the reporting entity taking into consideration the views of their auditors.</p> <p>(vi) FReM para 1.3.1 (c) refers to inclusion of only material accounting policies and disclosures.</p> <p>(vii) Senior managers are usually considered as those within the SCS pay band.</p>
DCLG	<p>Overall supportive of the proposals, and agree with the effective date, with the following points raised:</p> <p>(i) Suggestion that if Note 4 to the SOPS (“Reconciliation of net resource to net cash requirement”) is published in an annex it should no longer be a control total that leads to qualification of the accounts if breached. Noting that this would actually reflect the nature of the Note as the figures are not naturally easy to forecast. Therefore suggestion that if Note 4 is less important or not useful to the reader of the accounts it should either be completely removed or if included as an Annex it should be a qualification point.</p>	<p>(i) As part of the CLOS reforms it was agreed that net cash requirement would remain a Parliamentary control. This ensures Parliament retains control over both resource and cash.</p>