



Financial Reporting Advisory Board Paper

Government Financial Reporting Manual (FReM) and illustrative statement for 2017-18 and in year amendments for 2016-17

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| Issue: | HM Treasury requests that the FRAB agrees to the publication of the 2017-18 FReM and illustrative statements, and an update to the 2016-17 FReM and illustrative statements following minor corrections and clarifications to improve disclosure requirements. |
| Impact on guidance: | The FReM and illustrative statements have been updated for application from 2016-17. No changes have been made to the 2017-18 FReM compared with the revised 2016-17 FReM. |
| IAS/IFRS adaptation or interpretations for the public sector context? | No |
| Impact on WGA? | Yes |
| IPSAS compliant? | Yes, to the extent IPSAS is compliant with IFRS |
| Impact on budgetary regime? | No |
| Alignment with National Accounts | N/A |
| Impact on Estimates? | No |
| Recommendation: | That FRAB notes the proposed amendments to the FReM and illustrative statements for 2017-18 and 2016-17, and agrees their publication. |
| Timing: | The updated Manuals will be published in December 2016. |

DETAIL

Background

1. The Memorandum of Understanding between the Relevant Authorities for developing financial reporting guidance for the public sector requires that the version of the FReM for financial year 2017-18 is available to users by 1 January 2017. This paper requests that the Board notes the proposed amendments to the FReM and illustrative statements for 2016-17 and to agree to their publication.
2. In addition, in-year changes are proposed for the 2016-17 FReM and illustrative statements for minor corrections and to reduce inconsistencies arising from the first year of implementation of the simplifying and streamlining proposals. This paper requests that the Board notes the proposed amendments to the FReM and illustrative statements for 2016-17 and agrees to their publication.

Amendments to the 2016-17 FReM and illustrative statements

3. Minor changes and corrections are proposed to the 2016-17 FReM to correct minor errors and provide clarifications to improve disclosure requirements. . The proposed amendments to the FReM are summarised at Annex A.
4. The FRAB received a paper in June 2015 (127 (07)) on the Annual Improvements Cycle 2012-2014 (and other narrow scope amendments). It was concluded that there were not any public sector reporting impacts from the proposed amendments once these had been adopted by the EU. Entities will need to ensure they remain compliant with the amendments to the Standards.
5. The final version of the 2016-17 FReM is included at Annex C.

Amendments to the 2017-18 FReM and Illustrative Statements

6. No changes have been made to the 2017-18 FReM or illustrative statements from the 2016-17 versions presented with this paper.
7. The WGA section of 2017-18 FReM currently states highways infrastructure assets held by local authorities are recognised at historical cost (10.2.5). We are aware the FReM will need to be updated once CIPFA/LASAAC finalise proposals for local authorities to move towards depreciated replacement cost.
8. There have been no EU adopted standards or amendments to standards applicable for 2017-18 which need to be included in the FReM at present. There are a number of amendments to standards which are expected to receive endorsement in the fourth quarter of 2016.
9. The revised FReM for 2017-18 and illustrative statements are at Annex D.

Recommendation

10. The Board is requested to consider the proposed amendments to both the 2016-17 FReM and 2017-18 FReM and illustrative statements and to agree their publication.

HM Treasury
24 November 2016

Annex A: In-year amendments to the 2016-17 Government Financial Reporting Manual (FReM)

Amendments have been made to the 2016-17 FReM and illustrative statements to correct minor errors and provide clarifications to improve disclosure requirements

| Paragraph | Change | Reason for change |
|--------------------------------------|--|--|
| Throughout | Minor grammatical errors | |
| 5.2.8 | Additional requirement to provide a short summary explaining the purpose of the overview section | Feedback following first year of the simplifying and streamlining project. |
| 5.2.9 | Clarification of the purpose of the performance analysis section. | To improve understanding of the purpose of the section. |
| 5.3.4 | Reference added to regularity of expenditure to the requirements in 3.2.12. | Improve clarity and reiterate audit requirements. |
| 5.3.4 5.3.28 | Remove fees and charges as duplicated in 3.2.12 | Remove duplication |
| 5.3.6 | Additional requirement to provide a short overview of the elements of the Accountability Report. | Feedback following first year of the simplifying and streamlining project. |
| 5.3.23 | Clarify reporting requirements for ministers' severance pay | To provide clarification on the requirements for reporting of ministers severance pay. |
| 5.3.26 Annex 4 | Added: link to the fair pay disclosures guidance | Included following feedback from Departments and the NAO. |
| 5.3.28 5.3.29 | Remove requirements for long term expenditure trends in the Accountability Section. | Requirements moved to Performance Report following feedback |
| 5.3.4 Illustrative Accounts | Clarify staff numbers and costs to be included in Accountability Section. | To clarify inconsistency between FReM and Department Yellow under simplifying and streamlining agenda. |
| 5.4.22 | Added: requirement to comply with IFRS 8 Operating Segments | To clarify that IFRS 8 is applicable to government entities (if material) |
| 5.4.23 Illustrative Statements | Clarify the presentation of staff notes | Improve clarity on the position of the staff notes disclosures following feedback during 2015-16. |
| Table 6.2 | IAS 20: re-inclusion of requirements to account for grant in aid on a cash basis | Re-inclusion from 2013-14 following feedback on varied reporting approaches by ALBs. |
| Table 6.2 | IAS24: paragraph reference for the definition of a related party updated | Changes to para numbers |

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| 8.3.6 | Deleted requirements to separately disclose breakdown of tax credits | Separate reporting no longer required under ESA 10 which formed basis for IFRS disclosures. |
| Annex 3 | Added: research and development expenditure differences between accounts and budgets | Changes in requirements following adoption of ESA 10. |
| Department Yellow | Clarify the option of have an annex for some SOPS disclosure notes must be part of the main annual report and accounts and not a separate document. | Clarify reporting requirements following feedback on varying presentation styles and impact on audit. |

Please see separate documents for the following annexes

Annex B - 2016-17 FReM and Illustrative Statements in track changes

Annex C - 2016-17 FReM and Illustrative Statements without track changes

Annex D - 2017-18 FReM and Illustrative Statements