



HM TREASURY

Financial Reporting Advisory Board Paper Financial Reporting Manual and Statement of Parliamentary Supply consultation update.

Issue:	This paper presents a summary of responses to the autumn 2019 consultation on the draft 2020-21 Government Financial Reporting Manual, including the proposed updates to the Statement of Parliamentary Supply.
Impact on guidance:	This functions as a cover paper for the revised 20-21 FReM.
IAS/IFRS adaptation?	n/a
Impact on WGA?	n/a
IPSAS compliant?	n/a
Interpretation for the public sector context?	n/a
Impact on budgetary and Estimates regimes?	n/a
Alignment with National Accounts	n/a
Recommendation:	FRAB members are asked to review and approve the revised 20-21 FReM for publication.
Timing:	The deadline for publishing the revised 20-21 FReM is 31 December 2019.

Introduction

1. This paper summarises responses to the Treasury public consultation on the 2020-21 Government Financial Reporting Manual exposure draft, which ran from 12 September to 25 October 2019.
2. The Treasury received 38 separate responses to the consultation, some of which summarised feedback from groups of organisations (e.g., Northern Ireland departments). Together these responses amount to 735 separate comments or suggestions. A full list of these has been sent under separate cover.

Consultation process

3. Due to the tight timeframe for this consultation, the Treasury ran a communications campaign to raise awareness with a wide range of potential respondents. This included targeted emails to a list of stakeholders developed over the GFR review and FReM update projects, use of OneFinance reminders, reaching out through relevant networks, and follow up prompts shortly before the consultation closed.
4. The consultation itself was hosted on gov.uk [here](#), and listed as part of the [government financial reporting guidance collection](#). Respondents were given the options of replying via an online survey tool or sending responses by email or post. 19 out of 38 responses were received via the survey, and the remaining 19 were received by email. This includes the handful of responses received in the week following the consultation closing date of 25th October, and a final response from the National Audit Office, received on 15th November. No further responses have been received since then.
5. To capture the responses, a tracker spreadsheet was created that allowed each to be sorted by respondent, question, subject, area of the FReM, etc. Each response was then broken down into individual comments, each of which made a separate point. Each of the 735 comments were then reviewed individually and assigned a RAG rating and a category based on the anticipated next steps.
6. All typos and minor adjustments for clarity resulted in direct updates to the FReM. Other comments were assessed on a case-by-case basis, as discussed below.
7. The response from the National Audit Office was received after the first iteration of this paper was sent to FRAB members. Comments from the NAO have been added, resulting in updates to the figures throughout the paper. As these comments also postdate the draft FReM sent out to FRAB, they are considered under separate headings or otherwise flagged in the text of Annex A to this paper.

Overview of comments and resulting actions

8. The overall tone of the consultation responses was positive. 224 of the total 735 were comments in agreement with the consultation questions. 292 out of 735, or 40%, expressed outright support for this project and the proposed changes. Many respondents suggested minor clarifications, pointed out typos, or proposed further changes, but few responses disagreed with HM Treasury's approach on specific points.
9. Table 1 summarises the responses by category. The rest of this paper breaks the comments down question by question, highlighting the significant issues and discussing the impact that each part of the consultation has had on the attached revised draft 20-21 FReM.

Table 1: summary of FReM consultation responses

More significant issue for further consideration	36
Typo	44
Minor adjustment to improve clarity	95
Typo/minor adjustment to improve clarity	139
Issue brought up by multiple respondents, no change	38
Issue brought up by one respondent, no change	100
Issue brought up by multiple respondents, phase II	55
Issue brought up by one respondent, phase II	103
Issue brought up by one or more respondent but no change/for phase II	296
Votes on name change	22
Votes on bringing in during 19/20	18
Votes on name change/bringing in during 19/20	40
Agreed	224
Total	735

10. Changes have been made to the consultation 20-21 draft FReM where relevant and clearly beneficial. Some issues remain outstanding pending further investigation, discussion with stakeholders, or beyond the timeframe available in phase I but will be picked up during phase II. Details of the amendment record can be found in the attached FRAB paper – Annex FReM 2020-21Amendment log.
11. Changes have not been made to the FReM where:
 - i) An issue is not, or not yet, relevant to this edition of the FReM. For example, references to the EU do not need to be amended until the UK has left the EU;
 - ii) An issue is in essence a technical query that relates to one organisation rather than a suggestion for guidance with broad application;
 - iii) The concern is already sufficiently addressed by the FReM as drafted; or

- iv) An issue is raised that relates to another part of the accounting system (for example, the Estimates process) and cannot be addressed by amending the FReM.
12. Where an issue is specific to one organisation and amounts to a technical query, it will be followed up with respondents directly.
13. Issues have been deferred for consideration as part of phase II of this project where:
- i) An issue raised by one respondent might affect other respondents, or have unintended consequences, and therefore needs further discussion and review before implementation;
 - ii) A suggestion would need development and input from users of annual reports and accounts before implementation; or
 - iii) A comment fits in to the planned stylistic updates in phase II, and it makes more sense to consider it as part of that process.

More significant issues

14. An issue has been identified as more significant where it might change the draft FReM in a more substantive manner or related to an issue which might give rise to further debate. Over half of the comments defined as more significant relate to the new staff turnover disclosure, and that the relevant guidance was not published by the Cabinet Office before the end of the consultation.

Table 2: More significant issues

	Issue	No. of respondents	Proposed approach	Detail under...
1.	Clarity on risk reporting, particularly the difference between the performance overview and the performance analysis.	3	Updated - Changes made to the revised draft FReM to refine and improve the risk disclosure guidance.	Question 6
2.	Staff turnover disclosures	23	Requirement to disclose staff turnover retained – agreed PACAC recommendation. HM Treasury is working with the Cabinet Office to ensure the guidance is available. The	Question 7 , Question 10

			revised draft FReM updated to clarify that while the disclosure is mandatory, the guidance should be followed on a comply or explain basis.	
3.	The language around GDPR.	1	No change to existing requirements following legal advice. It is not possible to resolve the tension between statutory remuneration disclosures and GDPR until further case law has developed. HM Treasury is keeping this under review.	Question 9
4.	The structure of chapter 2.	5	Not yet updated -To consider along with other structural changes in phase II.	Question 3
5.	The introduction of a lighter version of the FReM for smaller entities.	1	Not accepted – The principle of differential reporting in central government is not currently being considered. While introducing a lighter version of the FReM could be counterproductive, HM Treasury will consider how to make the guidance more navigable in phase II.	Question 11
6.	The lack of a general/principles discussion of materiality	2	Not yet updated - an in-depth discussion to be added after stakeholder engagement in phase II.	General comments , Question 3
7.	A suggestion to strengthen 'comply or explain' by requiring entities to state what they are doing to improve reporting.	1	Updated - The required disclosures in the Governance Statement extended to include a summary of actions taken to improve reporting where an 'explain' option has been taken.	Question 3

Questions for FRAB

15. The rest of this document forms Annex A to this report and gives details on the comments made in relation to each question, as well as HM Treasury's proposed response.
16. For reference the comments have been sent with the FRAB meeting papers in an Excel table.
17. The revised draft Government Financial Reporting Manual 2020-21, with tracked changes showing all the amendments made during and as a result of this consultation has also been sent with the FRAB papers.
18. FRAB members are asked to review the relevant papers and to address five questions arising:
 1. *Does FRAB agree with HM Treasury's approach in relation to the consultation responses?*
 2. *Is FRAB comfortable with HM Treasury's proposed approach in relation to all the significant issues identified?*
 3. *Does FRAB agree that the proposed changes to SoPS reporting are introduced in 19-20?*
 4. *Does FRAB agree with the proposal to change the name of the Statement of Parliamentary Supply (SoPS) to the Statement of Outturn against Parliamentary Supply (SOPS)?*
 5. *Is FRAB content to approve the revised draft 20-21 FReM for publication by the 31 December 2019?*

HM Treasury
21st November 2019

Annex A

General comments – [return to more significant issues summary](#)

Several respondents made introductory or general comments as well as answering the questions in the consultation.

Table 3: summary of general comments

More significant issue for further consideration		1
Typo	7	
Minor adjustment to improve clarity	1	
Typo/minor adjustment to improve clarity		8
Issue brought up by one respondent, no change	2	
Issue brought up by multiple respondents, phase II	1	
Issue brought up by one respondent, phase II	1	
Issue brought up by one or more respondent but no change/for phase II		4
Agreed		3
Total		16

More significant issue – materiality

19. One respondent suggested that the FReM would benefit from an in-depth discussion of **materiality**. This issue was brought up again in relation to Chapter 2 (Question 3). As discussed under Question 3, introducing a more in-depth discussion on materiality necessarily involves further engagement with a range of stakeholders. **It will be addressed as part of phase II of this review.**

Issues brought up by multiple respondents and/or for phase II

20. One respondent wondered whether it would be helpful to define some financial reporting terms that some users of the FReM might be unfamiliar with. This comment echoes calls for a new glossary made against other questions and will be addressed in phase II.
21. One respondent wanted to see the FReM pay more attention to the financial management of the balance sheet. While this is an important policy area for HM Treasury, it is not an appropriate addition to guidance on financial reporting.
22. One respondent wanted to see greater emphasis in the narrative discussion on the budgeting conventions in the public sector, such as the use of DEL and AME. The addition of specific details and terminology of public sector budgeting, beyond the existing arrangements for alignment and accountability, is likely to be confusing to users and therefore counterproductive. However, additional narrative to link outturn from the Statement of Parliamentary Supply to performance reporting should help to address this issue.

Typo/minor adjustment to improve clarity

23. General comments highlighting typos have all been corrected in the revised draft FReM.

Question 1 – [return to more significant issues summary](#)

Does the revised four-part structure make the FReM more useable? Please include any suggestions for improvements or any general comments on the structure.

Table 4: summary of responses to question 1

Typo	1
Minor adjustment to improve clarity	3
Typo/minor adjustment to improve clarity	4
Issue brought up by one respondent, no change	5
Issue brought up by multiple respondents, phase II	4
Issue brought up by one respondent, phase II	5
Issue brought up by one or more respondent but no change/for phase II	14
Agreed	24
Total	42

Response summary - No more significant issues raised.

24. Respondents to the consultation were overwhelmingly in favour of the new structure of the FReM.

25. The issues brought up by multiple respondents related to the introduction of a glossary and improving the use of hyperlinks throughout the document. These are both areas that fit within the more stylistic updates planned to introduce in phase II.

26. Most of the issues raised by one respondent were structural suggestions, all of which will be considered as part of phase II. Other minor issues requiring no change were either apparently mistaken (e.g., a hyperlink flagged as broken that appears to be working), or ran counter to the goal of user friendliness (e.g., a suggestion that the IFRS adaptations/interpretations come before the more general discussion of accounting principles).

Typo/minor adjustment to improve clarity

27. The responses to question 1 included only a few minor flags for typos and other clarifications, all of which have been addressed.

Question 2 – [return to more significant issues summary](#)

Does the revised introduction give the right level of information to help understand the nature and purpose of the FReM? Please include any suggestions for improvements or any general comments on the introduction.

Table 5: summary of responses to question 2

Typo	4
Minor adjustment to improve clarity	4
Typo/minor adjustment to improve clarity	8
Issue brought up by one respondent, no change	3
Issue brought up by multiple respondents, phase II	7
Issue brought up by one respondent, phase II	9
Issue brought up by one or more respondent but no change/for phase II	19
Agreed	19
Total	46

Response summary – no more significant issues raised

Issues brought up by one or multiple respondents and/or for phase II

28. Five respondents felt that it would be helpful to expand chapter 1 slightly on the authority behind the FReM and the purpose of the guidance, though each made slightly different suggestions. These points are discussed elsewhere in the document (particularly in Chapter 2 on the purpose of reporting, and 4.2 on HM Treasury's responsibility to provide guidance). This will be considered as part of phase II in discussion with other Relevant Authorities and users of the accounts.

29. Three respondents (**including the NAO**) were unhappy with the repetition of the contents page at the start of chapter 1. This chapter has been revised so that, rather than simply repeating the list of chapters from the contents page, it gives a brief paragraph on what is included in each part of the FReM. This approach will be tested again with FReM users in phase II.

30. One respondent to this question echoed a point made by several others elsewhere in the consultation about the use of jargon in the FReM. Improving the readability of the guidance is already an aim of phase II.

31. The new introduction discusses the scope of the FReM but does not dwell on accounting boundaries which are discussed at high level in 4.3 and in detail in chapter 9. One respondent suggested bringing these concepts together. The question of what level of guidance belongs in which chapter is a structural one that naturally fits with the planned structural review in phase II.

32. One respondent was concerned about a reference to audit, as audit requirements differ under different relevant authorities. The reference has been updated, but the general point about how the FReM is used by different relevant authorities will be discussed with the Relevant Authorities subgroup and considered again in phase II.

Typo/minor adjustment to improve clarity

33. The responses to question 2 included only a few minor flags for typos and other clarifications, such as referring to CIPFA/LASAAC rather than just CIPFA. These changes have all been made.

Question 3 – [return to more significant issues summary](#)

Does chapter 2 effectively set out the principles and purposes of government financial reporting? Please include any suggestions for improvements or any general comments on the chapter.

Table 6: summary of responses to question 3

More significant issue	7
Typo	9
Minor adjustment to improve clarity	9
Typo/minor adjustment to improve clarity	18
Issue brought up by multiple respondents, no change	1
Issue brought up by one respondent, no change	6
Issue brought up by multiple respondents, phase II	3
Issue brought up by one respondent, phase II	12
Issue brought up by one or more respondent but no change/for phase II	22
Agreed	17
Total	64

Response summary – More significant issues raised

34. Three significant issues were raised in relation to chapter 2:
- i) Five respondents (**including the NAO**) suggested rearranging the text of the chapter to make it flow better, by moving the section on annual reports and accounts towards the end of the chapter and by retitling some of the sections. As these changes have no immediate substantive impact on preparers, but touch on broader questions around the scope of this chapter versus the scope of the rest of the FReM, they have been deferred to phase II.
 - ii) One respondent asked why section 2.6 on whether to include new disclosures makes no mention of materiality. The concept is discussed in 4.2.17 in relation to the financial statements but given the importance of materiality to reporting it makes sense to include a broader discussion up front in the principles chapter. A brief reference to materiality has been introduced into the 2020-21 FReM. During phase II, HM Treasury will convene a broader discussion on materiality as a concept beyond the financial statements.
 - iii) One respondent suggested that the concept of comply or explain could be implemented in a more robust way if entities also had to share the steps, they were taking to improve reporting. For example, if an entity could not make a disclosure because the systems were not yet in place, requiring them to explain (at a high level) what steps they were taking to set up those systems. This suggestion has been brought in with amended language and a requirement added to the governance section. In future annual reports and accounts, those who explain why they are unable to comply with a 'comply

or explain' disclosure requirement will state what actions (if any) they are taking to ensure compliance in future.

Issues brought up by multiple respondents and/or for phase II

35. Several respondents were concerned that some of the guidance given in this chapter and chapter 3 might seem obvious to some users of the FReM. As a greater number of comments warmly welcomed the inclusion of this best practice guidance, HM Treasury has kept the chapter in the guidance.

36. Other respondents suggested applying principles on clear language and the use of graphics to the rest of the FReM. These stylistic changes are already part of the plan for phase II of the FReM review.

Typo/minor adjustment to improve clarity

37. Most of the minor suggestions relating to chapter 2 were links to other documents, or subtle tweaks (for example, clarifying that 'Accounting Officer' and 'Accountable Officer' mean the same thing). These changes have all been made, and several typos corrected.

National Audit Office comments

38. NAO suggestions for phase II include drawing out the link between the decision trees, bringing in the consideration of timing when thinking about disclosing new information, and exploring why applying IFRS meets the needs of Parliament.

39. The NAO also expressed concern that Accounting Officers might interpret 2.6.9 on value for money as a rationale to set aside statutory financial reporting. On review, this section only discusses those judgements which fall within an Accounting Officer's remit. Opting out of statutory financial reporting is not within that remit, so the text has not been changed.

Question 4 – [return to more significant issues summary](#)

Do you think the addition of chapter 3 regarding best practice in narrative reporting is useful? Please include any suggestions for improvements or any general comments on the chapter.

Table 7: summary of responses to question 4

Typo	2
Minor adjustment to improve clarity	7
Typo/minor adjustment to improve clarity	9
Issue brought up by multiple respondents, no change	3
Issue brought up by one respondent, no change	6
Issue brought up by multiple respondents, phase II	2
Issue brought up by one respondent, phase II	5
Issue brought up by one or more respondent but no change/for phase II	16
Agreed	23
Total	48

Response summary – No more significant issues raised

40. Chapter 3 is new to the FReM and nearly half of the comments welcomed this addition of guidance on best practice in narrative reporting.

41. Only two respondents were against including the chapter as they felt that it was too basic and therefore no change to the inclusion of this section is proposed.

42. Several respondents made further minor suggestions to improve this guidance. Where the adjustments were straightforward and increased the clarity of the wording, they have all been introduced.

43. Several useful prompts for improvement that deserve further consideration have been deferred to phase II. These include a deeper delve into developing better accessibility of reports (e.g., making reports accessible to users with visual impairments), better connections to relevant guidance from other bodies, and how narrative best practice can contribute to simplifying and streamlining reports.

National Audit Office comments

44. The NAO tentatively suggested removing this chapter from the FReM as it is different in style from other chapters. Given the amount of support from other respondents for including this chapter, we propose leaving the chapter as it stands.

Question 5 – [return to more significant issues summary](#)

Is the new chapter 4 regarding the annual reports and accounts effective in bringing together different sections of the FReM in a useful way? Please include any suggestions for improvements or any general comments on the chapter.

Table 8: summary of responses to question 5

Typo	4
Minor adjustment to improve clarity	7
Typo/minor adjustment to improve clarity	11
Issue brought up by multiple respondents, phase II	2
Issue brought up by one respondent, no change	3
Issue brought up by one respondent, phase II	19
Issue brought up by one or more respondent but no change/for phase II	24
Agreed	21
Total	56

Response summary – No more significant issues raised

45. Most respondents welcomed the introduction of Chapter 4, which collects guidance that was previously appeared in several parts of the FReM to give an overview of everything relating to the annual report and accounts as a whole.

46. The majority of comments made about Chapter 4 were either minor corrections or clarifications, or useful suggestions that have been deferred to phase II due to their technical nature and the associated risk of unintended consequences. These include bringing in examples to illustrate some of the technical points, adding one or more diagrams ditto, and introducing a glossary of terms used.

47. Three suggestions have been ruled out, as they were not substantive changes and might have the effect of complicating rather than simplifying the guidance.

National Audit Office comments

48. The NAO raised concerns about the impact of tightening up the language at 5.2.5, which reads:

As noted in chapter 4, arm’s length bodies which are companies or charities should follow the requirements of the Companies Act 2006, charity legislation or SORPs respectively, providing additional disclosures as required by this Manual where these go beyond legislation or guidance.

49. The old FReM also included an inconsistent passage at the start of the old chapter 5 which exempted ALBs that are charities or companies from applying that chapter (i.e., the guidance on performance reports and accountability reports).

Removing that inconsistency might create problems for some smaller bodies, and therefore requires further review and discussion with those affected. Accordingly, the exemption will be restated for this draft FReM with a new paragraph 5.2.6 reading:

Arm's length bodies which are companies or charities are not required to follow chapters 5 and 6 of this Manual, which cover the Performance Report and the Accountability Report, except as established in their Accounts Direction or by instructions from their parent department.

50. This section will be revisited in phase II, in discussion with relevant stakeholders.

51. The NAO suggested a minor clarification to 4.2.8 to ensure that all cash-based accounts are covered by that paragraph, and raised three further issues that will be considered in phase II:

- i) connecting the principles in Chapter 2 with those in Chapter 4;
- ii) clarifying on the relationship between the Companies Act 2006, the FReM, and the Charities' SORP; and
- iii) providing a list of all the places where an entity might need to consult their relevant authority.

Question 6 – [return to more significant issues summary](#)

Is the drafting of mandatory requirements and comply or explain requirements in respect of performance reporting in chapter 5 clear? Please include any suggestions for improvements or any general comments on the chapter.

Table 9: summary of responses to question 6

More significant issue for further consideration		3
Typo	5	
Minor adjustment to improve clarity	24	
Typo/minor adjustment to improve clarity		29
Issue brought up by multiple respondents, no change	1	
Issue brought up by one respondent, no change	19	
Issue brought up by multiple respondents, phase II	8	
Issue brought up by one respondent, phase II	3	
Issue brought up by one or more respondent but no change/for phase II		31
Agreed		17
Total		80

Response summary – More significant issues raised

52. Three significant issues were raised in respect of risk reporting.

53. One respondent noted that risk reporting requirements in the performance analysis section were comply or explain and should instead be mandatory. Two other respondents requested further clarity on how risk reporting in the performance analysis section differs from reporting in the performance overview section and accountability section.

54. We agree with these proposals. Guidance on risk reporting in the performance overview section (to ensure only a summary of risk is provided) has been refined. The guidance on risk reporting in the performance analysis section has also been strengthened and made mandatory. These changes represent the most significant changes to chapter 5 from the version consulted on.

Issues raised by multiple respondents, but no changes proposed/ for phase II

55. Two respondents sought clarity and extent of Companies Act requirements set out in the FReM. References to the Companies Act have been reviewed with legal advisors and updated where relevant. The applicability of new reporting requirements to the public sector introduced by recent changes to the Companies Act will be considered in phase II.

56. Three respondents noted that the guidance in chapter 5 would be easier to understand if it was made more diagrammatic (e.g. as used in chapter 1). Further consideration will be given to this suggestion in phase II.
57. Four respondents requested that all requirements be made on a comply only basis. This has not been accepted. The comply or explain requirements ensure departments have the flexibility to report in ways that best meet the needs of users, crucial to effective reporting.
58. Four respondents raised the difficulty in reporting outturn against budget by organisational or Single Departmental Plan (SDP) goal (and the difficulty in aligning Estimates lines to organisational or SDP goals) but fell short of requesting its removal. Whilst these concerns are recognised, no updates are proposed. New requirements are only recommended as best practice and the concerns are already detailed as mitigations in the guidance (5.4.6 b).
59. Two responses provided suggestions on how to improve sustainability reporting guidance. This is outside the scope of this review and no action taken. Sustainability reporting guidance is published separately and is the main source of guidance for sustainability reporting. However, this feedback has been noted for the next round of sustainability guidance and will be also be carried forward to phase II.

Typo/minor adjustment to improve clarity

60. The typos and minor adjustments to improve clarity have been made throughout chapter 5. This includes clarification on what audit responsibilities are in relation to the performance (and accountability) report, in 5.2.6.

National Audit Office comments

The NAO expressed concerns about entities misusing the 'comply or explain' principle by offering poor quality explanations as a way to avoid reporting requirements. This concern should be addressed to some extent by the additional requirement, discussed in paragraph 34 (iii) of this paper, for entities to disclose how they are improving their reporting. HM Treasury will keep the use of 'comply or explain' under review.

Question 7 – [return to more significant issues summary](#)

Are the requirements in chapter 6 for reporting risk disclosures, staff turnover and staff engagement scores clear? Please include any suggested improvements plus any general comments on the chapter.

Table 10: summary of responses to question 7

More significant issue for further consideration	15
Typo	1
Minor adjustment to improve clarity	10
Typo/minor adjustment to improve clarity	11
Issue brought up by multiple respondents, no change	3
Issue brought up by multiple respondents, phase II	2
Issue brought up by one respondent, no change	4
Issue brought up by one respondent, phase II	19
Issue brought up by one or more respondent but no change/for phase II	28
Agreed	12
Total	66

Response summary – More significant issues raised

61. The staff turnover disclosure issue instigated the most responses with 23 separate comments on the new requirement to disclose staff turnover figures. Most of these (15 out of 23, **including a NAO comment**) were made in response to Question 7, and the remaining 8 were made in response to Question 10. Almost all these comments related to the absence of the Cabinet Office guidance on calculating staff turnover which is not publicly available. Respondents were not able to comment on the full impact of the reporting requirement without knowledge of the relevant information needed to comply with it.

62. The government accepted the PACAC recommendation to introduce the requirement to publish staff turnover data in the Government Financial Reporting Review. Consequently, this is a mandated new requirement from 2020-21. Once Cabinet Office guidance becomes available, entities will be expected to use it as a source of calculation on a comply or explain basis. We will continue to work with the Cabinet Office to ensure that the guidance is publicly available as soon as possible.

Issues brought up by multiple respondents, but no changes proposed/ for phase II

63. Most of the less significant issues raised in response to Question 7 fit more naturally with phase II of the FReM review, as they will need some consideration or discussion with relevant stakeholders. These include several comments that relate to

remuneration disclosures owned by the Cabinet Office, suggestions for linking to the UK Corporate Governance Code, and thoughts on clarifications that could be made in relation to different requirements for Scottish bodies.

64. As Chapter 6 sets out guidance on the performance report, and some of these points tie into the Statement of Parliamentary Supply (SoPS), some respondents commented on SoPS issues against this chapter. Notably, two respondents felt that SoPS tables should be given rounded to millions rather than thousands (that is, £1.5m presented as £1.5 rather than £1,500). This change has not been made, as the SoPS reconciles annual reports and accounts with funding agreed via the Estimates process, and the Estimates are presented in thousands. While disclosing in millions would make the SoPS tables tidier on the page, it would conceal a level of detail that is valuable for accountability.
65. The FReM also includes a mandatory requirement to disclose staff engagement scores, as per the Civil Service People Survey. The language around this requirement has been updated for clarity, as suggested by two respondents, and will be reviewed again in phase II.
66. A handful of changes, such as removing a footnote or adding additional tables, have been disregarded on the grounds that they would be counterproductive.

Typo/minor adjustment to improve clarity

67. Minor adjustments to improve clarity in Chapter 6 included correcting references to some other documents, adding a list of contents at the start of the chapter, and correcting typos and format.

National Audit Office comments

68. The NAO commented on the lack of a link to the Cabinet Office staff turnover guidance, and made further suggestions for links to other guidance including guidance on senior staff pay issued by HM Treasury, clarification about the status of Cabinet Office Employer Pension Notices, and better links to Managing Public Money. These suggestions will be considered in phase II.

Question 8 – [return to more significant issues summary](#)

Is chapter 7 in respect of the format and content of the financial statements clear and useful? Please include any suggested improvements plus any general comments on the chapter.

Table 11: summary of the responses to question 8

Minor adjustment to improve clarity	9
Typo/minor adjustment to improve clarity	9
Issue brought up by multiple respondents, no change	1
Issue brought up by one respondent, no change	2
Issue brought up by one respondent, phase II	9
Issue brought up by one or more respondent but no change/for phase II	12
Agreed	17
Total	38

Response summary – no more significant issues

69. Most of the comments on Chapter 7 were either in agreement with the chapter or were minor adjustments that have been implemented in the revised FReM. For example, adding clearer references to the illustrative financial statements

70. Examples of discounted minor issues raised include:

- updating references to the EU - these changes have been left to address once the EU exit situation is clarified
- IFRS 17 implementation - not yet relevant to the FReM as the IFRS 17 adoption process is ongoing
- Suggestion to combine chapters 7 & 8- not considered suitable as already dense with technical detail on adopting IFRSs

71. Other useful suggestions were reviewed but have been deferred to phase II of the FReM review to allow further consideration and to assess stakeholder input. For example, taking further note of the IASB's work on disclosures of accounting policies, and clarifying the language on several technical points that would benefit from time to review and test the proposals with relevant stakeholders.

72. Feedback also suggested that users of the FReM would find a FAQ section beneficial. This is outside scope of the FReM, but we will seek to explore developing a FAQ page on OneFinance.

National Audit Office comments

73. The NAO proposed merging chapters 7 and 8. This proposed structural revision will be considered in phase II.

Question 9 – [return to more significant issues summary](#)

Do the proposed changes to the FReM improve the guidance overall? What parts are most helpful and why? Are any parts unclear or unhelpful or is anything missing from the guidance? Please provide any suggested improvements plus any general comments on the overall draft 2020-21 FReM.

Table 12: summary of responses to question 9

More significant issue for further consideration	1
Typo	6
Minor adjustment to improve clarity	3
Typo/minor adjustment to improve clarity	9
Issue brought up by multiple respondents, no change	2
Issue brought up by one respondent, no change	5
Issue brought up by multiple respondents, phase II	10
Issue brought up by one respondent, phase II	9
Issue brought up by one or more respondent but no change/for phase II	26
Agreed	14
Total	50

Response summary – More significant issue raised

74. One respondent commented on the tension between the disclosure requirements relating to directors' salaries in the remuneration report, and the requirements of the General Data Protection Regulation (GDPR). This is an issue which HM Treasury has been assessing for some time, and the text has been reviewed again in the revised version of the FReM after close consultation with the Government Legal Department. The text in the FReM has been agreed with legal advice. Case law has not yet developed on the interaction between GDPR and statutory public sector accounting requirements, but HM Treasury will keep this area under review and clarify the guidance when possible.

Issues brought up by multiple respondents, but no changes proposed/ for phase II

75. Several useful suggestions were made by multiple respondents to take the FReM improvements further. These included:

- i) Identifying places where annual reports and accounts can use internal links to avoid duplication;
- ii) Enhancing application guidance on standards with reference to specific places in the standards;
- iii) Providing guidance on common issues in applying the standards;
- iv) Providing examples to illustrate some tricky issues;
- v) Enhancing the links within the FReM, and those to other related pieces of guidance;
- vi) Using more graphics and minor improvements to formatting;

- vii) Bringing further details from the later chapters or the associated application guidance into the early part of the FReM; and
- viii) Bringing in a list of all the requirements where 'comply or explain' applies (NB the revised FReM now includes include clearer indications on this in the existing text).

Typo/minor adjustment to improve clarity

76. The small number of typos and minor changes for clarity identified in response to Question 9 have all been addressed in the revised FReM.

Question 10 – [return to more significant issues summary](#)

Will the changes to the FReM require your organisation to collect any new data or information or have any unintentional consequences? Please provide details of any likely instances and state how practical this will be for the organisation.

Table 13: summary of responses to question 10

More significant issue for further consideration	8
Minor adjustment to improve clarity	1
Typo/minor adjustment to improve clarity	1
Issue brought up by multiple respondents, no change	2
Issue brought up by one respondent, no change	2
Issue brought up by one or more respondent but no change/for phase II	4
Agreed	18
Total	31

Summary of responses – More significant issue raised

77. 18 of the 31 respondents who answered this question were content that they would not have to collect new data, or that the new requirements would not be onerous. None identified any other unintended consequences.

More significant issue – staff turnover disclosure

78. Eight of the comments made against Question 10 related to the significant issue of the new staff turnover disclosure requirement. Five respondents were seeking the absent Cabinet Office guidance, and the other two (DHSC and NI departments) indicated that disclosing staff turnover and engagement scores would require collating new data with associated resource implications. HM Treasury's response is set out in paragraphs 46-7 of this paper, under the responses to question 7.

Issues brought up by multiple respondents, but no changes proposed/ for phase II

79. Two respondents suggested reducing the overall load of disclosure requirements set out in the FReM. While streamlining the annual report and accounts is a valid goal, it must be balanced with the needs of those using the documents. HM Treasury will continue to engage with users and preparers of government financial reports.

80. Two respondents raised technical and stylistic issues relating to their own implementation of the disclosure requirements. In both cases these are issues for these entities to resolve in the first instance and adding text to the FReM would not be helpful.

Minor adjustment to improve clarity

81. One respondent raised a concern about how to apply requirements relating to variances between Estimate and outturn, and the language in the FReM has been clarified to emphasise that this only applies to material variances.

Question 11 – [return to more significant issues summary](#)

What further changes should HM Treasury consider making to the FReM in future reviews? Please provide the reasons for any suggestions.

Table 14: summary of responses to question 11

More significant issue for further consideration		1
Minor adjustment to improve clarity	4	
Typo/minor adjustment to improve clarity		4
Issue brought up by multiple respondents, no change	4	
Issue brought up by one respondent, no change	5	
Issue brought up by multiple respondents, phase II	12	
Issue brought up by one respondent, phase II	11	
Issue brought up by one or more respondent but no change/for phase II		32
Agreed		8
Total		45

Summary of responses – More significant issue: a proposed lighter version of the FReM

82. One respondent suggested that HM Treasury introduce a “FReM lite” version for smaller entities, comparable to the arrangements for small and medium-sized entities made available in the private sector. HM Treasury and FRAB have considered introducing a FReM lite version several times and have concluded that this approach is unlikely to work well for central government.
83. The range of entities using the FReM, or referring back to it, varies along several different relevant axes: size, relationship to parent entity, accountability arrangements, Relevant Authority, etc. It would be difficult to prepare just one FReM lite to meet all the various needs.
84. Due to the high level of transparency and accountability rightly demanded of public sector bodies, even small government entities face more stringent disclosure requirements than their counterparts in the public sector. Even a ‘FReM Lite’ would therefore need to contain detailed guidance and disclosure requirements.
85. For these reasons it seems unlikely that a ‘FReM Lite’ would be appropriate, but HM Treasury will keep the situation under review. The underlying concern will also be addressed by further changes made in phase II to improve the usability of the existing FReM, and to make it easier for different entities to navigate to the sections that are relevant to them.

Issues brought up by multiple respondents, but no changes proposed/ for phase II

86. Several respondents used this question to express their overall appreciation for the changes already made in the consultation draft of the 2020-21 FReM.

87. Many others used this opportunity to bring forward new ideas to improve the FReM. As these suggestions mostly require development and testing with preparers and users of reports, the majority are deferred to phase II:

- i) Simplifying CFER disclosures and enhancing the guidance on them;
- ii) Introducing an FAQ and/or a glossary;
- iii) Introducing examples (to consider how far this is covered by the illustrative statements);
- iv) Adding infographics and/or charts;
- v) Combining all financial reporting guidance in one place (e.g., bringing in the application guidance and other ancillary guidance to the FReM, though this would lead to an extremely long document);
- vi) Enhancing the links between the various pieces of guidance and/or bringing sections of other guidance into the FReM;
- vii) More detailed guidance on the Governance Statement;
- viii) Potential link to the newly required modern slavery statement; and
- ix) Adding further guidance on capital and impairments.

88. A further eight suggestions amounted to technical queries. Other respondents raised issues around the adoption of IFRS and on reporting against compliance with the new Government Finance Function standard. All these points fall outside the scope of this review.

89. One respondent was uncomfortable with inclusion of four purposes for financial reporting, but this point was disregarded as the revised FReM already includes guidance on how to prioritise between the different purposes.

Minor adjustment to improve clarity

90. Four comments identified references and minor errors to be updated and clarified in the revised FReM, without changing the substance of the guidance.

National Audit Office comments

91. The NAO proposed linking or including all other financial reporting guidance that relates to the FReM. This structural suggestion will be considered in phase II.

The Statement of Parliamentary Supply – [return to significant issues summary](#)

Question 12

Do you have any comments on the findings on the Statement of Parliamentary Supply reporting as part of the SoPS thematic review and do you think it achieves its objectives as a Parliamentary accountability statement? Please provide any reasons and general comments.

Question 13

Do you agree with the new requirements for the Statement of Parliamentary Supply disclosures to be introduced as an in-year change for 2019-20? Please provide any reasons and general comments.

Question 14

Do you see any value in changing the name of the Statement of Parliamentary Supply? If, so do you have a preference – either one of those outlined above or an alternative name? Please include any reasons and general comments.

Question 15

Do you agree with the new 2020-21 SoPS reporting requirements and do you think these requirements should be on a comply or explain basis? Please provide any supporting comments to your answer.

Question 16

Do you agree with the recommendations and updates to SoPs guidance, and any broader comments on the outcomes of the SoPS thematic review? Are there any further improvements that could be made? Please provide any reasons and general comments.

Table 15: summary of responses to questions 12, 13, 14, 15, and 16

Typo	5	
Minor adjustment to improve clarity	13	
Typo/minor adjustment to improve clarity		18
Issue brought up by multiple respondents, no change	21	
Issue brought up by multiple respondents, phase II	4	
Issue brought up by one respondent, phase II	1	
Issue brought up by one respondent, no change	38	
Issue brought up by one or more respondent but no change/for phase II		64
Votes on name change	22	
Votes on bringing in during 19/20	18	
Votes on name change/bringing in during 19/20		40
Agreed		31
Total		153

Summary of responses – no significant issues raised

153 responses were received in relation to the Statement of Parliamentary Supply, 18 of which were typos or minor adjustments to improve clarity and have been brought into the updated draft FReM. Of the remainder, 69 responses either agreed with proposals or were deemed minor comments raised only by one respondent. The rest are detailed below.

SoPS note 4 – further consideration during phase II

92. Four responses suggested changes to SoPS note 4 (Income payable to the Consolidated Fund). Considered together, they indicate further work is required to create an improved SoPS 4 disclosure that can be applied by all departments.
93. Specifically, there was an inconsistency of interpretation of the requirements of a line item in the note. Some respondents viewed the statement as covering both 'in year' amounts paid to the Consolidated Fund and amounts 'payable at year end'. A number of departments, however, view this statement only as a 'payable at year end' statement. Some of this variation may, in part, be due to the different cash management practices of different departments.
94. The consultation also made clear that there is inconsistency between preparers in how SoPS note 4 ties to other parts of the financial statements (including, for example, SoPS note 2, the SOCTE, Cash Flow and Accounts Payable notes). Resolving the question of whether the note is an 'in year' or 'year end payable' note would help to solve this inconsistency.
95. Given the complexity of this issue, we propose to carry out further work to agree a final form of disclosure for SoPS note 4, as part of the thematic review.
96. Although this may continue existing practice and potential inconsistency until the matter is resolved, the 2019-20 guidance will not be changed in relation to note 4. However, there will be a requirement to provide sufficient explanation so that users can better understand SoPS note 4 and determine whether it is an 'in year' or 'year end payable' disclosure.

Introducing SoPS changes into the 19/20 FReM

97. Eighteen respondents commented on whether the changes to SoPS reporting should be brought in for the 2019-20 FReM. Twelve respondents were content with this approach. Three respondents were against this approach. Two respondents suggested it should be optional. One respondent had no preference.

98. Overall HM Treasury does not believe the proposed changes to the Statement of Parliamentary Supply are significant and we believe all respondents would be able to implement the changes without undue burden. The data being presented is in itself not changing, merely the way it is being presented. Alterations to disclosures relate to formatting and the requirement to include explanatory text and illustrative disclosures have been provided to help preparers.

99. However, given the nature of the feedback, consideration has been given to rationale to delay:

- i) This may ease the burden of work on departments an in year change may create and one respondent noted that they would not usually make changes to the format and structure of their disclosures at such a late period in the year (one of the respondents against bringing in changes for 19/20).
- ii) The SoPS changes are complemented by changes to performance reporting, which are not being introduced until 20-21. Introducing all changes in 20-21 would ensure that the SoPS changes are fully considered and allow for a holistic narrative to develop regarding the performance report and the SoPS (one of the respondents against bringing in changes for 19-20 noted this).
- iii) The changes to SoPS note 4 will not be brought in until, 20-21 at the earliest.

100. On balance, calls for delay were limited to a very small number of respondents and HM Treasury recommends the changes are introduced in 2019-20 as an in year update.

Changing the name of Statement of Parliamentary Supply

101. Nine respondents requested the name be changed to 'Statement of Outturn against Parliamentary Supply', seven respondents requested the name be kept, five respondents stated no real preference or suggested alternatives that HM Treasury do not consider workable (as they do not contain either 'Statement' or 'Supply'). HM Treasury, therefore, proposes to change the name to the 'Statement of Outturn against Parliamentary Supply', or SOPS, given this was the majority view.

Summary of proposed changes in respect of the SoPS

102. To clarify, the consultation proposed that all changes to SoPS reporting would be brought in for the 19-20 FReM – *except for* i) the name change and two other requirements to ii) explain the budgeting framework and iii) to provide commentary on variances, (which will be brought in for the 20-21 FReM). Further detail on this is provided in the amendment log, and paper (138) 02, FReM 19-20 updates.

In relation to the above sections: Further work on SoPS note 4 will continue as part of the SoPS thematic review (and included in phase II FReM revisions); the change of name will not be brought in until 20-21; and, issues brought up by multiple

respondents, but for which no changes will be made, will all be discussed in greater depth in the published thematic review (but we do not propose making any changes due to these comments in either the 19-20, or 20-21 FReM).

Issues brought up by multiple respondents, but no changes proposed

103. Multiple responses (6) noted that the updated SoPS would still be complex and difficult for users to understand or suggested further usability changes (such as requiring more diagrammatic disclosures). Most of these respondents did realise why significant alterations to the structure or form of the SoPS were not being proposed and suggested that any further review of the Estimates should be combined with further updates to the SoPS. HM Treasury does not propose any more changes are made in response to these comments, for the following reasons: i) the form of the SoPS must be tied to the form of the Estimates and Estimates are not changing substantially, and ii) the new performance reporting requirements will complement improved SoPs reporting and ensure that users can gain a clear understanding of outturn and financial performance. This feedback and HM Treasury's response will be included in the published thematic review.
104. Two responses noted that the virement process (i.e. how virements are decided on and finalised) is difficult and time pressured. This is not a reporting issue, so HM Treasury does not propose making any changes to disclosures. The feedback will be passed on internally to relevant stakeholders.
105. Four responses were concerned at the extra volume of SoPS reporting that would be introduced in 20-21. However, this concern very clearly arose from a misunderstanding, as the respondents misunderstood that there are minimal new SoPS requirements for 20-21, but that the new requirements relate to the performance report (see chapter 5 above). These respondents did not voice any concerns over workload in relation to the new performance reporting requirements when responding to question 6. HM Treasury does not propose to make any changes in response to these comments but will better clarify the distinction between 19-20 and 20-21 requirements in the thematic review.
106. Three responses noted that they would like to adjust the form of some disclosures. HM Treasury does not propose making any changes in response to these comments as the changes proposed by respondents would not necessarily improve disclosures and because following the form of the illustrative disclosures is a copy or explain requirement, so preparers already have flexibility to adjust the form of disclosures should they wish (as long as they explain any changes made).
107. Three responses noted that they would prefer the SoPS to be presented in £m rather than £k (which is a new explicit requirement, although it was previously implicit). Their reasons for this was that SoPS disclosures would better align to the financial statements. While HM Treasury does understand the difficult in presenting

in £k, we believe it is necessary to make this requirement explicit, in order to ensure the SoPS mirrors the estimates and as otherwise control limits could be breached but this would be masked by the disclosure of figures to the nearest £m.

National Audit Office comments

108. The NAO agreed with the proposed explanatory text for the SoPS and voted in favour of the name change to the Statement of Outturn against Parliamentary Supply (SOPS). They flagged the language about the budgetary framework for potential clarification and suggested further mandated text be supplied to support consistent explanations of the Estimates process, both of which points will be considered in phase II.
109. The NAO also raised a concern that the new 'summary table showing outturn compared to the Supply Estimates' might repeat what is already present and be large and unwieldy; however, this table would not be as large as SOPS 1, and the guidance already states that it should not be a duplication.
110. The NAO raised one further point of potential duplication between the proposed SoPS note 4 and SoPS note 2. This has already been addressed with clarified guidance in response to other comments and will be reviewed again as part of the SoPS thematic review, as discussed in paragraphs 92-6 above.