



HM Treasury

## Financial Reporting Advisory Board Paper – TO NOTE

### Relevant Authorities Working Group

<b>Issue:</b>	To update on the fourth meeting of the Relevant Authorities Working Group.
<b>Impact on guidance:</b>	N/A
<b>IAS/IFRS adaptation?</b>	N/A
<b>Impact on WGA?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	N/A
<b>Impact on budgetary and Estimates regimes?</b>	N/A
<b>Alignment with National Accounts</b>	N/A
<b>Recommendation:</b>	The Board is invited to note the discussion points from the fourth meeting of the Relevant Authority Working Group and the forward plan.
<b>Timing:</b>	Ongoing.

DETAIL

*Background*

1. The Relevant Authorities Working Group is a forum for representatives from the relevant authorities to discuss common themes and issues together.
2. The Group meets three times a year. This meeting was the first in 2020 and held on 11<sup>th</sup> February.
3. At the FRAB meeting in April, the Board agreed there would be no direct governance relationship between FRAB and the Group, but that FRAB would receive sight of the discussion points from each meeting and the forward plan.

*Summary and recommendation*

4. The Board is invited to note the contents of this paper but is invited to make any comments on the discussion points from the third meeting of the Relevant Authority Working Group and the forward plan.

HM Treasury  
19<sup>th</sup> of March 2020

## Relevant Authority Working Group 4<sup>th</sup> meeting minutes, 11<sup>th</sup> February 2020 at HM Treasury

**Present:**

Vikki Lewis (Chair)  
Kim Jenkins  
Eleanor Shirtliff  
Kathryn Allen

Gareth Davies  
Matt Hemsley  
Steven Wareing  
Alison Douglas

**Secretariat:** Nicky Maslin, Josh Rushbrooke

**Invitees:** Lucy Gibling

### **Agenda Item 1 – welcome and minutes from the last meeting**

1. The Chair welcomed the members to the meeting. The minutes from the previous meeting on 24th September 2019 were agreed.

### **Agenda Item 2 – action points from the last meeting**

2. The action points from the previous meeting were reviewed. All actions were agreed as completed apart from the one on the updates on the OSCAR coding and National Accounts adjustments which will continue to roll forward as an outstanding action point.
3. Feedback on the action point on the regional events held in Northern Ireland and Wales was positive and it was agreed that discussing the possibility of arranging a similar event in Scotland would be looked at outside of this meeting.

### **Agenda Item 3 – updates on MPM's**

4. Northern Ireland, Wales and HMT each provided an update on on-going work with their respective versions of Managing Public Money (MPM).
5. Northern Ireland explained that the update process to their MPM started in 2016 but the final version had not been agreed due to the collapse of the Assembly. The process to review the MPM is now on-going although there is no current date for finalisation. Publishing the revised version by the summer would be ideal but this depends on the availability of resources to complete the work.
6. There has been a lot of interest in the revised MPM with questions coming from the NI PAC. Northern Ireland confirmed that the Northern Ireland MPM (MPMNI) closely follows the HMT MPM and agreed to send through a list of the divergences to the Group. Divergences relate to areas where the treatment in NI is different or there is NI specific guidance.
7. Wales advised that the Welsh MPM was last updated in 2017. Discussions around the different options for the Welsh MPM have concluded. This included whether Wales still needed a separate MPM or could instead provide a user guidance document explaining the differences between Wales and the HMT MPM. After reviewing all the options, it has

been agreed that maintaining a Welsh MPM is the best of all the options. Updating the information contained in MPM will not start until the next financial year so it is anticipated that by the end of the calendar year, the revised MPM should be completed. Wales also updated that they are currently going through Clear Line of Sight.

8. HMT gave an overview of the updates to the MPM annexes last year which was an extensive update. However, there are other parts of MPM which are out of date now, for example the foreword and the references. Currently HMT are scoping the work to update the main body of MPM including what more can be done to increase digitalisation of the document.
9. Scotland confirmed that they do not have their own MPM but they do have an equivalent document. The principles are the same as the HMT MPM but there are differences in respect of legislative effects as Scotland has some different legislation they follow. Scotland agreed to circulate the link to this document to the Group.
10. HMT, Wales, Scotland and Northern Ireland agreed to catch up outside of the meeting to discuss the options available for digitalisation of their respective MPMs.

#### **Agenda Item 4 – financial management process document**

11. HMT gave an overview of the combined financial management process document that had been circulated before the meeting. All relevant authorities were thanked for providing their information and were asked to give feedback on the circulated document.
12. Northern Ireland highlighted that the dates they had provided focused on their role as the relevant authority, who produces guidance for Northern Ireland entities, rather than as the role of producer of accounts. This opinion was also echoed by DHSC.
13. Wales and NHSI queried some of the dates and information that had been included so it was agreed that each relevant authority would be responsible for reviewing their own Gantt chart and would amend it as necessary and send the revised version back to HMT.
14. Discussions were had around the critical dates and CIPFA suggested the potential of creating a critical path analysis that could focus on the high-level pinch points that impacted the relevant authorities. All relevant authorities agreed to highlight in their own areas where there is a critical element that is reliant on another relevant authority. CIPFA also requested for the Memorandum of Understanding to be recirculated to ensure the financial management process timeline is in line with any dates included in this agreement.
15. When reviewing whether it would be beneficial to have some of the guidance issued earlier, for example the FReM, it was agreed that all relevant authorities have site of draft guidance in advance of publication via the FRAB papers. All relevant authorities were satisfied with receiving these papers in lieu of guidance being published any earlier although it was agreed discussion would continue as to where any publications could feasibly be moved earlier.

#### **Agenda Item 5 – update on the financial reporting manuals progress since FRAB**

16. DHSC, CIPFA and HMT all gave an update on the manual publication process since the FRAB meeting in November 2019. DHSC gave an overview of changes to the GAM since

the meeting including the updates that had been done to reflect changes in the FReM, the Treasury discount rates, and other minor changes for the quarter 3 update. DHSC are currently reviewing what changes may have to be made for quarter 4 updates, including if any changes are needed for exit packages

17. DHSC confirmed that the GAM was currently out for consultation, which started on 24<sup>th</sup> January and would end on 21<sup>st</sup> February. Holding a four-week consultation is sufficient as DHSC works with relevant bodies on a day to day basis to iron out any issues in the guidance before the consultation goes live. Therefore, no major challenges are expected from the consultation so DHSC is on track to make all final changes to the GAM before the March FRAB meeting where the manual will be taken for consideration. This is the first year DHSC have taken the GAM to FRAB in March with all final changes in, rather than taking the draft in November and this change in process has felt much smoother.
18. CIPFA reminded members of the group that at the November meeting, FRAB had asked questions and provided challenge on some of their proposed adaptations. FRAB has requested further detail which CIPFA had sent in an out of meeting paper. The deadline for responses is the 14<sup>th</sup> February and CIPFA/LASAAC will have a meeting shortly after this to discuss the responses.
19. The main aspects still outstanding and requiring agreement include how to treat HRA under IFRS 16 as these have not been treated as leases in the past, whether the nil consideration adaptation should be disapplied to lessors, and school licences where there is a permission for a school to use a building or land owned by someone else but where there is no written agreement. On the final point, CIPFA highlighted the opinion on DfE and the lawyers for the catholic education services.
20. DHSC also highlighted the importance of considering IFRIC requirements when determining a lease and that the identification of a lease should be examined ahead of the lease terms.
21. HMT gave an update on the publication of the final 2019/20 FReM and the draft 2020/21 FReM in December 2019. Phase 2 of the FReM review is also continuing with a review being done of over 700 comments that were received on the FReM consultation back in September and October 2019. The main changes that were left for phase 2 are to iron out inconsistencies or structural changes that would make the document easier to use. An update on this project will be provided in the March 2020 FRAB.
22. A question was also raised on Brexit and HMT confirmed that there will be transition legislation about moving from EU adopted accounting standards to UK adopted accounting standards as the UK moved to having a UK endorsement board.

## **Agenda Item 6 – update from each relevant authority**

23. Further updates were received from each of the relevant authorities:
  - a. As well as the updates provided in the meeting, HMT provided an update on their thematic reviews including that the first thematic review on IFRS 9 and IFRS 15 was published on gov.uk in January. The bank of best practice examples should be published by end of February and all relevant authorities were encouraged to provide any best practice examples they have in financial reporting. HMT also gave an overview of the new user and preparer advisory

group (UPAG) and the on-going Consolidated Budgeting Guidance (CBG) consultation

- b. As well as the GAM, DHSC discussed the on-going work on the implementation of IFRS 16 including an implementation tool they have developed which is publicly available on the NHS website and on the forward work plan they have agreed with their auditors. DHSC also updated on some business as usual developments including the completion of the interim accounts, revising budgets for supplementary estimates and working on their response to the CBG consultation.
- c. NHS Improvement gave an overview of the work they had been doing with DHSC including reviewing the fundamental principles on IFRS 16 that have been included in both the FReM and the GAM. This included the publication of the Foundation Trusts annual reporting manual which reflects the updates that were included in the 2019/20 FReM and some updates on local accountability.
- d. Following on from the update CIPFA gave on the Code earlier in the meeting, CIPFA updated that IFRS 17 is now on the forward agenda but are viewing it from the accounting aspect only (unlike HMT who are viewing it from an accounting and control aspect). CIPFA also gave an update on where the Redmond Review was currently and that the outcomes of this are likely to influence financial reporting in local government and could also impact on the audit framework. CIPFA also gave an overview of a financial resilience index that has been put online for English local authorities.
- e. MHCLG gave a brief overview of some on-going discussions into the calculation of the dedicated schools grant and the impact of these calculations on schools' reserves. MHCLG also highlighted the impact the Redmond Review is likely to have on their on-going work in financial reporting.
- f. Northern Ireland followed on from their earlier update on their MPM with updates on the OSCAR II project that they have been liaising with the Whole of Government Accounts (WGA) team within HMT. Northern Ireland also noted their shortage of accountants and how they are solving this issue going forward. Northern Ireland are also currently undertaking their own CLOS project which will now be live from 2021/22, enabling a dry run to take place in 2020/21. An overview of the management arrangements for the project were provided, as well as some implications for legislation and the process for amending this legislation where necessary
- g. Following on from the overview of their work on MPM, Wales provided an update on work they are undertaking on their budgets and estimates. Wales also gave an update on how the implementation of IFRS 16 is progressing including agreements made with the Welsh audit office. Wales also gave an update of the CLOS project they are also undertaking (independently of Northern Ireland) and agreed to give an update on their performance framework development in the May Working Group.

- h. Scotland also highlighted the amount of work that was being done to implement IFRS 16, especially on the budgeting side. Scotland also have an on-going project on creating a Whole of Scotland Accounts and are currently trying to agree the format of these with their auditors.

#### **Agenda Item 7 – forward plan for the working group**

- 24. Members were asked their opinion on how well the working group has operated as this meeting was the first anniversary of the group being set up. Members were satisfied with how the group was working and had some suggestions for further areas of discussion including understanding the extent of evidence expected from FRAB when any adaptations or interpretations are proposed to ensure the evidence based is consistent and realistic across the relevant authorities.
- 25. The Group also agreed to look at doing a project on the application of materiality across the public sector as suggested by FRAB in November 2019. CIPFA was keen for this to include pensions liabilities and asset valuations. It was suggested the FRC and the NAO would be key stakeholders in this work.

#### **Agenda Item 8 - AOB**

- 26. The date of the June FRAB meeting is likely to change as the FRAB chair is not available on the current date, so it is likely to be a week earlier or later.
- 27. HMT are working with the journal office and APS printing group on issuing guidance on laying. HMT are producing a separate piece of guidance with FAQs. This will be published on one finance in March, alongside a workshop being held at 1 Horse Guards Road.
- 28. The Group agreed the next meeting date would be in May 2020.

## Relevant Authority Working Group Forward Plan

- Timing of Relevant Authority Financial Management Process (May meeting)
  - Discussion on the final process document
  - Agree any guidance / documents it would be useful to review the publication timeline for
- Performance framework (May meeting)
  - Update from Wales on their performance framework developments
- Updates on changes in financial reporting (on-going)
  - Each Relevant Authority to update their on-going changes in financial reporting
  - Add a specific slot on the agenda for a Relevant Authority as requested
- Updates on financial standards (on-going)
  - On-going implementation of leases
  - Preliminary work on implementing IFRS 17
  - Discuss the project on materiality as requested by FRAB
  - Review the developments in the question about the evidence expected by FRAB for financial standard adaptations and interpretations
- Horizon scanning (on-going)
  - Changes to financial reporting in the international and private sectors
  - Stakeholder engagement with standard setters
  - How to feed into to technical accountant strongholds e.g. TACoE and RASIG
  - Developments in digitalisation of guidance (including updates in one-finance)