HM Treasury

Financial Reporting Advisory Board Paper

Update on the annual reporting process across government for 2020/21

Issue:	This paper gives an update to FRAB on the 2020/21 annual reporting process, including the specific measures and guidance offered by HMT in response to the COVID-19 pandemic. Furthermore, the paper updates the Board on IFRS 16 (specifically early adoption), an analysis of the laying timetable, other measures and guidance (covering discount rates, COVID-19 and EU Exit related disclosure).
Impact on guidance:	The analysis of the reporting procedures within this paper will impact future strategy for continued support offered by HM Treasury (HMT) to reporting entities.
IAS/IFRS adaptation or interpretations?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Impact on budgetary regime?	N/A
Alignment with National Accounts (ESA10)?	N/A
Impact on Estimates?	N/A
Recommendation:	The FRAB is requested to note this update paper and provide any comment.
Timing:	Ongoing

DETAIL

Background

1. This paper presents an update on IFRS 16, an analysis of the annual report and accounts (ARA) laying timetable and an update on the other measures and guidance. The analysis within this paper will influence future HM Treasury (HMT) strategy including the continued support offered to reporting entities during the year and any proposals going forward.

2. Since the first UK lockdown on 23 March 2020, government entities have been heavily impacted by the coronavirus pandemic. HMT responded by offering targeted measures and guidance to reduce the reporting burden experienced by reporting entities for 2019/20 and 2020/21. FRAB approved the measures and guidance as follows:

    - FRAB 140 (02(1)) on 8 April 2020;
    - FRAB 141 (02) on 18 June 2020;
    - FRAB 142 (04) on 19 November 2020

3. The FRAB papers issued previously provide details on:

    - the reporting impact of the COVID-19 pandemic on government entities;
    - the specific measures and guidance offered for the 2019/20 and 2020/21 reporting periods; and,
    - the effectiveness of the measures offered based on surveys from the Resource Accounts Special Interest Group (RASIG), qualitative responses from heavily impacted entities, and a review of the internal reporting impact

    Board members requiring further details on these areas should refer to the previously submitted FRAB papers.

Update on IFRS 16

4. IFRS 16 was originally planned for implementation across government on 1 April 2019 (FRAB 128(04)), but was subsequently delayed for inclusion within the FReM until 1 April 2020 (FRAB 138(06)). The COVID-19 pandemic led to further delays to implementation. First, to 1 April 2021 (FRAB 141(02(1))); then, to 1 April 2022 with an option for certain eligible and authorised entities to early adopt from 1 April 2021 (FRAB 142(04)).

5. In November 2020, the RASIG network was invited to respond on whether the one-year delay to the implementation of IFRS 16 had been helpful at reducing the annual reporting burden at year-end. Overall feedback on the measure was positive (75% very helpful; 19% somewhat helpful; 6% not at all helpful). The majority of qualitative feedback found the measure to be useful. A few entities commented they had already undertaken significant preparation work and were ready for implementation on 1 April 2021.

6. Subsequent to the last FRAB meeting, an out of meeting paper on IFRS 16 implementation was circulated on 27 November 2020 (included in Appendix 1). The feedback from FRAB members provided unanimous support for the proposal in the paper, delaying mandatory implementation by one year to 1 April 2022, but allowing entities to implement IFRS 16 on a voluntary basis from 1 April 2021 if they meet particular criteria.

7. On 14 December 2020, HMT circulated a letter to departmental finance directors (FD 2020(03)) confirming:

   The mandatory effective date for IFRS 16 in central government will be 1 April 2022; and,

   That bodies following the Financial Reporting Manual (FReM) can implement IFRS 16 from 1 April 2021 if they meet three criteria:

   - *1 April 2021 implementation must be approved by the relevant authority.*
   - *Entities preparing Supply Estimates must be able to demonstrate how their Main Estimate will be adjusted for IFRS 16 by 25th January 2021.*
   - *The entity must provide additional information for WGA purposes as required by HM Treasury.*

8. Correspondingly, FReM 21-22 published on 30 December 2020, reflected the changes for IFRS 16 with Table 2 of Section 8.2 on interpretations and adaptations for the public sector context stated:

   IFRS 16, as adapted and interpreted by this Manual, will be effective from 1 April 2022 […] Early adoption from 1 April 2021 is available for entities where approval has been received from the relevant authority.

   Furthermore, HMT updated the IFRS 16 application guidance in December 2020.

9. Three government entities have applied for early adoption of IFRS 16 including:

   - the Department for Business, Energy and Industrial Strategy (BEIS),
   - the Ministry of Justice (MoJ), and
   - the Crown Prosecution Service (CPS)

   The Driver and Vehicle Standards Agency (DVSA) also adopt IFRS 16 on their move into the Department for Transport (DfT) group from 1 April 2021. DfT adopted the standard in 2019.

10. Entities wishing to early adopt were asked to complete a reclassification return. This was to set out their proposed IFRS 16 adjustments for the Main Estimate. Returns are being checked by spending teams and the Government Financial Reporting team, to ensure that departments receive appropriate adjustments to their CDEL, RDEL and ringfenced RDEL budgets which accurately reflect the impact of IFRS 16 adoption. We have reviewed the initial returns and are working to finalise the adjustments with early adopters.

11. To support those preparers with IFRS 16 implementation, HMT will continue to host training sessions, publish guidance (including good practise examples, lessons learnt) and answer individual queries from finance teams. This will utilise the approach used for the Department for Culture, Media and Support (DCMS) and Department for Transport (DfT) 2019/20 ARAs. Furthermore, we will continue to work with other entities to support implementation from 1 April 2022. We will continue to monitor progress across government and update FRAB periodically.

Analysis of the annual reports and accounts laying timetable

12. Government entities have until the statutory deadline of 31 January the following year to lay their ARAs in parliament. To maximise the transparency and relevance of the reported information, HMT sets an administrative deadline of 30 June each year. Furthermore, the earlier deadline allows for select committees to be held before summer recess. The COVID-19 pandemic has had a significant impact on the resource and capacity of government entities to produce their ARAs in a timely manner and to maintain the quality of financial reporting. For 2019/20, the administrative deadline was extended until 30 September 2020; and for 2020/21 (FRAB 140(02(1))), the administrative deadline was returned to 30 June 2021 with the option for preparers to apply for an extension (in most cases to 30 September 2021 (FRAB 142(04)).

13. The main reason for the administrative deadline extension in 2019/20 was that many entities experienced a significant operational impact due to COVID-19 striking close to year end. Returning to an earlier administrative deadline in 2020-21 is to support those entities able to meet this deadline to do so and encourage preparers to set-out realistic reporting timetables in advance agreed with their relevant audit and risk committees and with the audit teams.

14. In a normal pre-pandemic year, around 75% to 80 % of central government accounts are laid pre-recess. In 2019/20, only 43% of central government accounts were laid pre-recess. Early responses to the Finance Director letter (FD(20)04), indicate pre-recess laying requests for 2020/21 at 59%. The National Audit Office (NAO) has communicated a draft audit timetable which signals a more significant rightward shift for departments. The RASIG network survey indicated similar timetables with government entities planning to take advantage of the administrative deadline extension in 2020/21 as follows: strongly agree 50%, agree 11%, neither agree nor disagree 11%, and disagree 28%).

15. Overall, we expect a later laying timetable compared to 2019/20. Most entities experienced higher levels of spending in 2020/21, related to the COVID-19 response, increasing in-year work and year-end reporting efforts. Several entities have already indicated they will not be able to meet the 30 September 2021 deadline. Despite a significant portion of reporting entities having a desire to return to pre-recess laying, they were often limited by factors outside of their control. Reporting entities declared that the following external factors impacted their planned reporting timetable:

    - The NAO’s reduced capacity and increased workload in light of the pandemic;
    - Expected delays to the audit of local authority pension schemes; and,
    - Consolidated agencies and bodies within the group being unable to lay on time;

16. The NAO has set out upcoming challenges including new and enhanced risks around recognition, measurement, estimates, fraud and error; external dependencies on component audit assurance; logistical challenges from remote working; and the knock-on impact from 2019/20 reporting delays. The NAO has set out their audit timetable which will be presented as a separate paper to FRAB.

17. Local government pension schemes are material to several department's group accounts. Exacerbated by the pandemic, the timely delivery of the audit of local government pension schemes has had a significant impact on the laying timetable for 2019/20 and 2020/21. In response to the Redmond Review, the government have laid regulation in parliament to extend the reporting deadline for publishing audited local authority accounts to 30 September. Consequently, the challenges to timely delivery of affected ARAs will continue. HMT is working with impacted departments to formulate a longer-term plan.

18. Whilst there is a desire to return to a 30 June administrative deadline across government, HMT recognises that department's face ongoing challenges in doing so, despite the continued relaxation of coronavirus restrictions. The knock-on impact of the pandemic may result in a 2-year recovery period.

Update on the other measures and guidance

19. Feedback from the RASIG network survey on the reduced reporting measures and guidance was positive; however, the qualitative feedback called for earlier communication of measures and guidance, improving the clarity of the accounting guidance and offering good practise examples on COVID-19 and EU Exit related disclosure. Subsequently, we improved our 2020/21 approach by:

    - The prompt issuance of PES 2021(01) for guidance on the preparation of 2020-21 ARAs on 14 January 2021 which had updated and improved accounting guidance;
    - HMT is publishing good practise examples for EU Exit and COVID-19 related disclosure which will be available on Gov.uk from April 2020. The NAO has also issued 2019/20 examples of good practise in annual reports.

20. The prompt release of the PES paper has enabled departments to incorporate changes and measures into their annual reporting plan. The accounting guidance, included within the PES paper, was modified and where possible condensed with unnecessary disclosures removed. While the reduced reporting measures limited the detail required in the performance analysis, the paper emphasised the need to link significant spend (including on EU Exit and COVID-19) to departmental goals, strategic objectives and priority outcomes. This was in line with the commitment from HMT's Director General of Public Spending to the Public Accounts Committee (PAC) for the Whole of Government Accounts (WGA) oral session on 19 November 2020; and confirmed by the Chief Secretary to the Treasury in a formal letter to PAC in December 2020. HMT will continue to work with departments, the NAO and working groups to provide any necessary supplementary guidance on a timely basis.

21. In the last meeting (FRAB 142(04)), the Board agreed with HMT's proposal not to update the long- and very-long-term provision and financial instruments discount rates as part of Spending Review 2021/22 (SR20). For SR20, HMT issued the short- and medium- term discount rates on 18 December 2020 (PES 2020(12)). While FRAB agreed to the proposal, they expressed concern regarding the policy of updating discount rates to an SR timetable; being subject to change and dependent on external events. HMT plans to return to the Board with a refined policy in due course.

Next Steps

22. In line with the proposed next steps for the Government Financial Reporting Review, HMT will publish the COVID-19 Response Paper to promote transparency. A draft has been included as an Appendix 2 to this paper for the Board's reference.

23. HMT will continue to monitor reporting entities for the 2020/21 reporting cycle, identifying, monitoring and reporting areas of concern; offering help and guidance on a timely basis; and looking for longer term solutions to challenges created and exasperated by the pandemic.

24. The Board is requested to note the contents of this paper but is also invited to make any comments as discussion points.

HM Treasury
25 March 2021

Appendix

Appendix 1 - FRAB Out of meeting paper – IFRS 16 implementation

HM Treasury

Financial Reporting Advisory Board paper

IFRS 16 implementation

Issue:	At the November Board meeting, FRAB decided not to mandate implementation of IFRS16 with effect from 1 April 2021. FRAB agreed to make a final decision on whether IFRS 16 implementation should be allowed from 1 April 2021 for those entities that may wish to go ahead.
Impact on guidance:	Yes
IAS/IFRS adaptation or interpretation?	Yes, the effective date for IFRS 16 in the private sector was 1 January 2019.
Impact on WGA?	Yes, inconsistency in IFRS 16 implementation across the public sector will impact WGA. WGA implications are discussed in further detail in this paper.
IPSAS compliant?	IPSASB are in the process of developing a new standard on lease accounting.
Impact on budgetary regime?	Yes, leases budgeting is aligned with IFRS, so the decision of when to implement IFRS 16 will have an impact on budgets.
Alignment with National Accounts (ESA10):	No, ESA10 and IFRS 16 are not aligned with respect to lease accounting. With that said, the ONS have agreed a change in the treatment of central government property leases. National accounts implications are discussed in further detail in this paper.
Impact on Estimates?	Yes, leases budgeting is aligned with IFRS, so the decision of when to implement IFRS 16 will have an impact on Estimates.
Recommendation:	HM Treasury recommend that an expanded 'early adoption' option be given to bodies reporting under the FReM that prefer to implement IFRS 16 from 1 April 2021. Bodies would need to meet a number of conditions to be eligible for early adoption (set out in this paper).
Timing:	A decision is needed in this area ASAP to give departments needed certainty. We are asking for views on the paper by 4 December

DETAIL

Introduction

1. This paper seeks a final decision from FRAB on the timing of IFRS 16 implementation. HM Treasury recommend that FRAB allow expanded 'early adoption' of IFRS 16 from 1 April 2021, on the basis set out in paragraph 16.

2. This decision needs to be made ASAP in order to give departments certainty around IFRS 16 implementation, especially for Main Estimates 2021/22. We therefore ask for FRAB member feedback on this paper by **COB 4 December.**

Background

3. IFRS 16 has been effective in the private sector since 1 January 2019.

4. IFRS 16 implementation has been deferred in the public sector twice. In November 2018, FRAB decided to defer the effective date of IFRS 16 to 1 April 2020, primarily because of budget/national accounts considerations, and also because of resource constraints. In March 2020, FRAB decided to defer the effective date of IFRS 16 to 1 April 2021, due to the effects of the COVID-19 pandemic. Early adoption was allowed, in very limited circumstances, from 1 April 2019.

5. At the November 2020 meeting, FRAB agreed not to mandate IFRS 16 implementation from 1 April 2021. The new central government effective date will be 1 April 2022. FRAB made this decision due to the continuing effects of the COVID-19 pandemic.

6. However, FRAB acknowledged that some departments are ready to implement IFRS 16 from 1 April 2021, and noted the improved information about leases that IFRS 16 provides. To that end, FRAB asked HM Treasury to explore whether an expanded 'early adoption' option could be offered to those departments that are ready to implement IFRS 16 from 1 April 2021.

7. This paper sets out HM Treasury's analysis in this area.

Impacts of expanded 'early adoption'

8. There are clear advantages to allowing expanded 'early adoption' in central government:

- As FRAB has noted, the application of IFRS 16 provides improved information about leases for users of ARAs, increasing transparency and aiding accountability.
- Some departments have communicated that they are ready and willing to implement IFRS 16 from 1 April 2021. A third mandatory delay would jeopardise momentum and sacrifice work already done in preparing for implementation. The previous delays have shown departments how difficult it is to 'pick back up' on IFRS 16 implementation work after an effective date deferral.
- A third mandatory delay in IFRS 16 also runs the risk of sending a signal that FRAB does not support the implementation of IFRS 16 or alignment with IFRS generally. Allowing expanded 'early adoption' from 1 April 2021 would send a clear signal that FRAB does, in fact, support and encourage the implementation of IFRS 16 and remains committed to its full implementation across central government from 1 April 2022.

9. However, an expanded 'early adoption' option also poses disadvantages. Primarily, it disrupts consistency across central government financial reporting, with corresponding potential impacts for national accounts and Whole of Government Accounts.

10. Regarding the interaction of expanded 'early adoption' on the national accounts, HM Treasury have engaged with the ONS. Further to discussion, the ONS has confirmed its position stated in the November FRAB meeting; it would prefer consistent accounting for leases across the public sector.

11. With that said, if FRAB decide to proceed with an expanded 'early adoption' option, the ONS consider that the methodology already agreed to adjust existing IFRS 16 early adopters' information about leases to an IAS 17 basis in national accounts could also be used for any additional early adopters in 2021/22. This is on the condition that HM Treasury is able to provide sufficient assurances about the accuracy of the IAS 17 adjustments, which can be confirmed. As such, this should not be a barrier to expansion of early adoption.

12. Regarding the Whole of Government Accounts, again, ideally from a WGA perspective there would be consistent accounting for leases across the public sector.

13. The 2019/20 and 2020/21 WGAs will be prepared on an IAS 17 basis. Early adopters have been individually commissioned to provide additional data in this regard. If expanded 'early adoption' were allowed in 2021/22, it is envisaged that a similar approach will be taken with regards to the 2021/22 WGA. Therefore, as referenced further below, a criterion of early adoption would be that a reporting entity must provide any additional data for WGA purposes as required by HM Treasury.

14. Outreach to departments is underway to asses the extent to which adoption of the Standard from 1 April 2021 is likely, and some departments have continued to signal interest in doing so. However, actual take up remains uncertain and it is difficult to predict accurately how many departments will commit to this, when there is an option for deferral in a year where resources are stretched.

Expanded 'early adoption' proposal

15. Bearing in mind the analysis above, HM Treasury recommends that FRAB proceed with an expanded 'early adoption' of IFRS 16 from 1 April 2021. There are clear advantages to this approach described in paragraph 8, and we think the national accounts and WGA disadvantages are surmountable.

16. If FRAB are minded to proceed with an expanded 'early adoption' approach for reporting entities following the FReM, HM Treasury would recommend it be provided as follows:

- In order to implement IFRS 16 from 1 April 2021, reporting entities must meet the following criteria:
    - A) 1 April 2021 implementation must be approved by the relevant authority
    - B) For any entities preparing Supply Estimates, the entity must be able to demonstrate how their Main Estimates figures need to be adjusted for IFRS 16 to a deadline provided by HM Treasury (likely end January 2021)
    - C) The entity would need to provide additional data for WGA purposes as required by HM Treasury.

17. Criterion A) will ensure that relevant authorities have control over early adoption. HM Treasury will be minded to approve requests it receives to early adopt as relevant authority, but each relevant authority will be free to make their own decision in this area. To note that, in most cases, the relevant authority for ALBs across government will be their parent department. In some cases, HM Treasury is the relevant authority for executive agencies—in these cases, HM Treasury will consult with the parent department before providing any approval for early adoption.

18. Criterion B) will ensure that Supply Estimates are properly adjusted to reflect the impact of IFRS 16. HM Treasury needs assurance from departments that they can deliver good quality data in a timely manner, to ensure that spending on leases is properly reflected in the Supply Estimates. In order to follow best practice for Supply Estimates, this spending will need to be confirmed for Main Estimates. This will also lessen the risk of any breaches of budget control totals due to the reclassification of budgets for IFRS 16.

19. A welcome practical consequence of criterion B) is that HM Treasury will have certainty over the population of early adopters by February 2021, as it will be clear by this point which departments are prepared to adjust their Main Estimates figures for IFRS 16.

20. HM Treasury note that we have already attained Alignment Review Committee approval on budgets and Estimates treatment for leases following the accounting treatment for any departments implementing IFRS 16 (in November 2018 and May 2019). Therefore we do not propose writing to the Alignment Review Committee again on this issue.

Q1. Does FRAB agree with HM Treasury's recommendation to allow expanded 'early adoption' using the proposal outlined above?

HMT responded to FRAB members on 14 December 2020 concluding:

Of those members who provided feedback, there was unanimous support for the proposal in the paper that entities be allowed to implement IFRS 16 from 1 April 2021 if they meet particular criteria.

Therefore, we will communicate this decision across central government from today, and the forthcoming Financial Reporting Manual will reflect FRAB's decision.

Appendix 2 – Strategic review for the COVID-19 pandemic response

Please refer to the subsequent pages for the 'Strategic review for the COVID-19 pandemic response'

HM Treasury

Strategic review of the COVID-19 pandemic financial reporting response

Government Financial Reporting team

March 2021

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- Key findings and proposal

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Post implementation review – Resource Accounts Special Interest Group survey results and laying dates

Updated response

- Performance reporting measures and supplementary guidance
- Administrative deadline and IFRS16 implementation

Ongoing monitoring and review

Executive summary:
The purpose and scope of the review

Methodology and structure of the review

Phase 1 - outlined in 'Initial response'

- Monitor the corona virus pandemic developments, assess potential strategies to aid in the 2019-20 annual reports and accounts (ARAs) preparation, discuss and approve approach, and communicate the guidance and measures to reporting entities

Phase 2 – outlined in 'Post implementation review'

- Evaluate the effectiveness of the 19-20 financial reporting response through surveys, discussions and direct assessment and evaluation.

Phase 3 - outlined in 'Updated response'

- Adjust the approach for 20-21 ARA preparation through discussion, improve and approve approach, and communicate the approach to reporting entities

Phase 4 – outlined in 'Ongoing monitoring and review'

- Ongoing assessment of 20-21 ARA preparation, before post implementation review

Timeline of events

- 29 January 2020: First case of coronavirus identified in the UK
- 23 March 2020: First national lockdown
- 8 April 2020: Provisional approval of reduced reporting measures from FRAB
- 4 May 2020: Chief Secretary to Treasury writes to Public Accounts Committee
- 20 May 2020: Issued PES on reduced reporting measures and guidance
- 18 June 2020: Formal approval of reduced reporting measures from FRAB
- 23 June 2020: First ARA laid in parliament
- 22 July 2020: Summer recess starts
- 1 September 2020: Summer recess ends
- 31 October 2020: Second national lockdown
- 19 November 2020: FRAB approve of reduced reporting for 21-22
- 14 January 2021: Annual PES on ARA preparation and guidance

Phase 1

Phase 2

Phase 3

Phase 4

Executive summary: Key findings and proposals

Key findings and proposals

- In response to the additional pressures faced by government entities as a result of the pandemic, HM Treasury (HMT) offered reduced reporting measures and COVID-19 related guidance to preparers for their 2019-20 Annual Report and Account (ARA) preparation. This included reduced performance reporting requirements, extending the administrative deadline to 30 September 2020, deferring the implementation of IFRS 16 and other smaller measures targeted at reducing the reporting burden.
- Overall, prepares considered the guidance and measures offered were effective at reducing the financial reporting burden for their 19-20 ARA preparation. Feedback from prepares indicated they would have benefited from more timely communication of measures and guidance.
- The majority of preparers took advantage of the extension to the administrative deadline. Despite the extension, over a third of central government departments failed to lay their accounts by the later 30 September 2020 administrative deadline. Prepares experienced direct resourcing constraints from the pandemic; as well as delays outside of their control, indirectly through their local component auditors, audit capacity and reporting logistics.
- As the accounting guidance issued in May 2020 was effective, similar guidance for COVID-19 and EU exit was issued via a PES paper in January 2021. Similarly, the reduced reporting measures deemed effective as part of the review, were offered for the 20-21 period. The administrative deadline was returned to 30 June 2021; however, government bodies were able to apply for an extension after consulting their audit committee and the NAO on their revised timetable. IFRS 16 implementation was delayed by a further year to 1 April 2022; however, certain qualifying government bodies had the option to early adopt with advanced approval from HMT.
- Early communication with government bodies and the NAO indicate a similar delayed timetable for laying ARAs in 20-21 with over half of government bodies planning to lay their ARAs after the summer recess. Some prepares will be unable to meet the 30 September 2021 deadline either due to the ongoing pressures from the coronavirus pandemic or due to the delays to the audit of local government pension schemes (a separate issue). HMT has been contacted by a few government bodies planning to adopt IFRS 16 early.
- HMT continues to monitor the effectiveness of the measures and guidance for the 20-21 reporting period and will decide if further measures and guidance will be required in the future.

Initial response: Challenges and measures

Challenges experienced for 2019-20

These were discussed immediately after the announcement of the lockdown in March 2020, and included:

- The resources available to prepare ARAs being reduced as staff members fell sick, self-isolated or were redeployed to meet urgent needs
- Entities being less able to prioritise work on ARAs
- The shift to home working putting a strain on equipment and technology
- Disruptions and a lack operational capacity from outsourced contractors
- Difficulties on the valuation of physical assets; and
- Auditors being unable to perform fieldwork visits to obtain appropriate evidence

Measures agreed for 2019-20

HM Treasury issued guidance and allowed the following measures to support government in reducing the reporting burden, including:

- Offering flexibility to reduce the detail in performance reporting - with a focus on the performance overview covering the key objectives and risks and ensuring appropriate consideration of COVID-19 and EU Exit;
- Extending the administration deadline for laying accounts by three months to 30th September 2020
- Deferring the implementation of IFRS16 for one year until 1 April 2021; and,
- Allowing other smaller measures, including referencing information reported elsewhere, allowing certain rounding in SOPS.

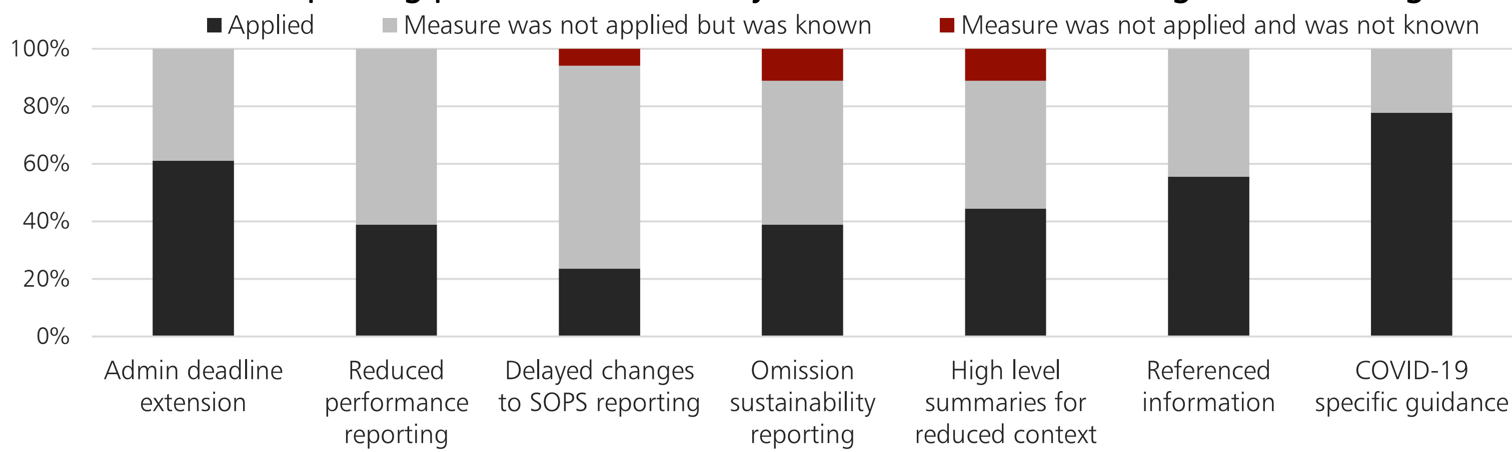
Communication channels

Communicated via a PES Paper with updated guidance on COVID-19 and reduced reporting measures for preparation of ARAs.

Post implementation review: RASIG survey results

Resource Accounts Special Interest Group (RASIG) Survey
We engaged with government bodies to gather feedback. This included soliciting survey responses from the RASIG network and in-depth discussions with finance functions. 18 bodies responded.

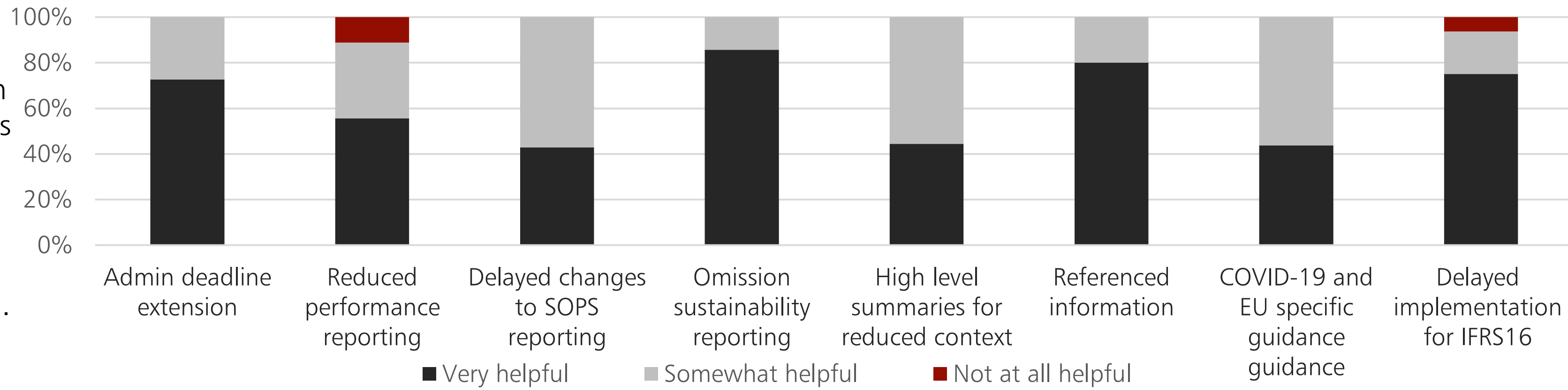
For the 2019-20 reporting period, did the entity make use of the following measures or guidance



Feedback was received on the negative impact of the delayed guidance/measures. Respondents were impacted directly, due to resourcing; and indirectly, from component auditors and audit capacity/logistics.

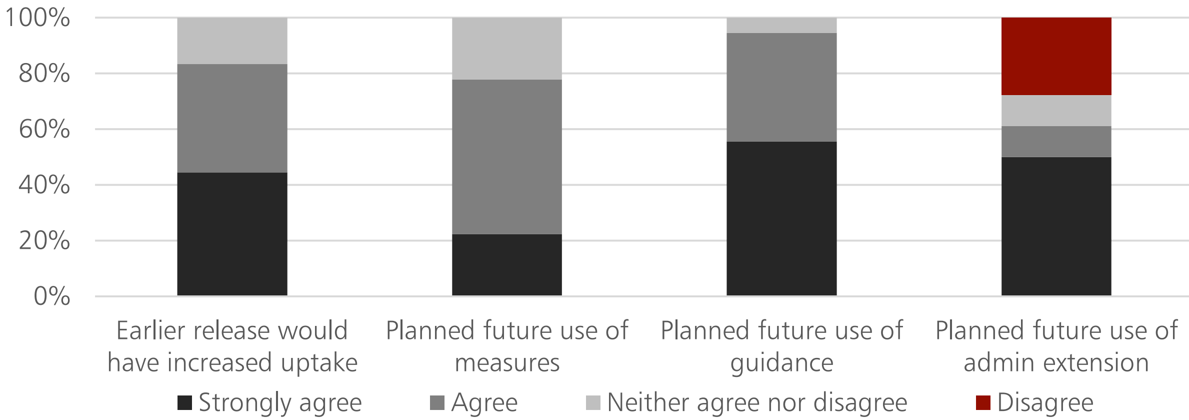
For the 2019-20 reporting period, which measures were helpful at reducing the financial reporting burden

Feedback received around IFRS16 with certain departments appreciating the delay and others explaining they were fully prepared for implementation.



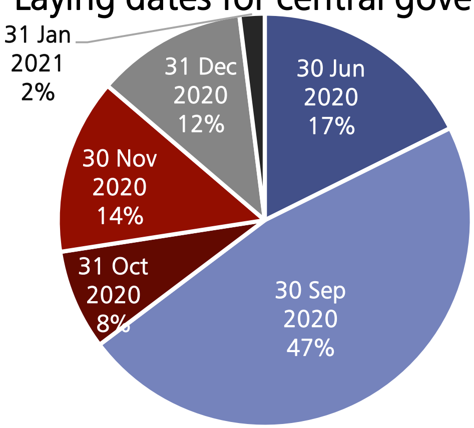
Post implementation review: RASIG survey results and laying dates

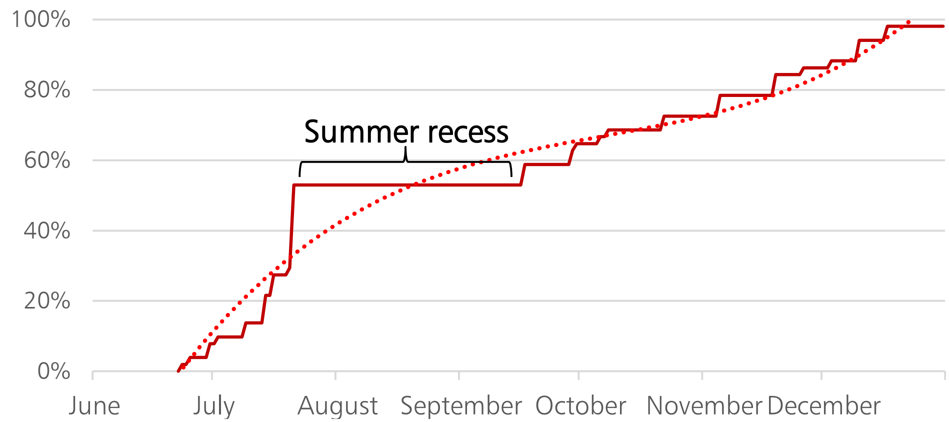
Respondents feedback on whether they agreed or disagreed with statements relating to the guidance and measures offered



Respondent's feedback included request for best practice examples and more timely communication.

Laying dates for central government bodies for 2019-20 ARAs





Other COVID-19 specific issues raised included: going concern for Arm's Length Bodies (ALBs) and the need for associated letters of comfort, the continued impact on staff workloads and the timing of IFRS16 implementation.

For the administrative deadline extension, views included:

Favourable:

- Convenience of additional reporting time for preparers
- Closer proximity to the reporting deadlines of local government pension schemes which fell within the departmental group

Adverse:

- Impact on finance processes later in the year, including Whole of Government Accounts
- Timeliness of reports to users
- Incentivised to meet deadline

Updated response:
Performance reporting measures and supplementary guidance

Feedback from 19-20

- Survey **overwhelmingly positive** across most areas; although, a small number of respondents were not aware of all reduced reporting measures being offered (namely on SOPs, sustainability reporting)
- Positive comments: reduced SOPs requirements, performance overviews and referencing
- **No significant detrimental impacts** to ARA stakeholders; however, only a limited time for review has elapsed
- Overall **level of performance reporting was good** based on small sample of ARAs

2020-21 update

- Offering **similar reduced reporting measures** for the performance and accountability report and guidance
- Encourage entities that are able to go above the minimum requirements to provide additional details/disclosure
- FRAB has approved measures and HMT has written to Parliament and anticipate their approval
- Justification: to help preparers manage the reporting impact of COVID-19 and where possible to lay pre-recess
- **Reminder** - Updated 2020-21 FReM following 2019 public consultation

Impact of 2020-21 approach

Positive impact:

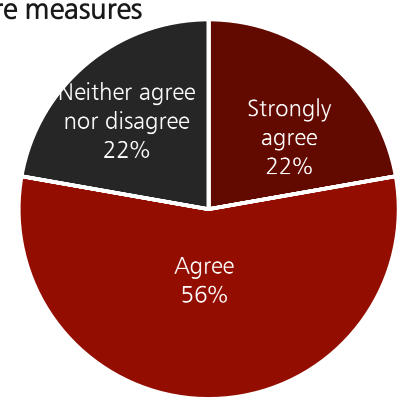
- Allow for government entities to produce ARAs with a reduced reporting burden – offers flexibility

Action Plan – continued support to preparers: including good practise examples, communicate measures early (via early guidance - PES paper & OneFinance) communicating measures offered and common financial reporting issues

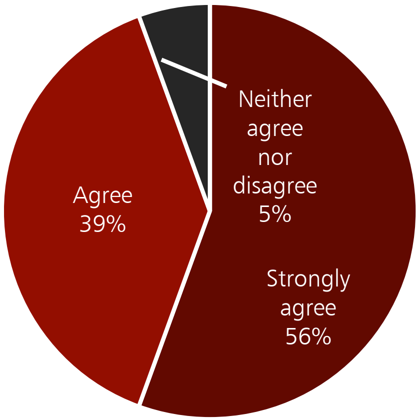
Prepares must engage on the relevant disclosures for COVID-19 and EU-exit with select committees

Government entity would take advantage of planned use of:

Future measures



Future guidance



For Sustainability Reporting, HMT is continuing to engage with Defra to ensure that the public sector continues to improve its sustainability reporting into the future

Updated response:
Administrative deadline and IFRS16 implementation

Feedback from 2019-20 | Administrative deadline

Mixed feedback on the effectiveness of deferring the admin deadline:

- Positive: more preparation time; matching to local government pension dates for consolidation
- Negative: staff pressure; ARA timeliness; knock-on impact

Successful e-laying process (available for 20-21)

2020-21 approach

Admin deadline set at 30th June with HMT granting extensions (e.g.**to 30th September)** at a department level (requiring approval from the audit committee and NAO)

Offers flexibility to departments, encourages early planning and promotes timely ARAs

Action Plan: departments should consider reporting schedule early and contact HMT where necessary

Feedback from 2019-20 | IFRS16 implementation

Positive feedback reducing the pressure on preparer. Some were ready to implement IFRS16.

Early adopters of IFRS16 provided mixed feedback on the ease of implementation

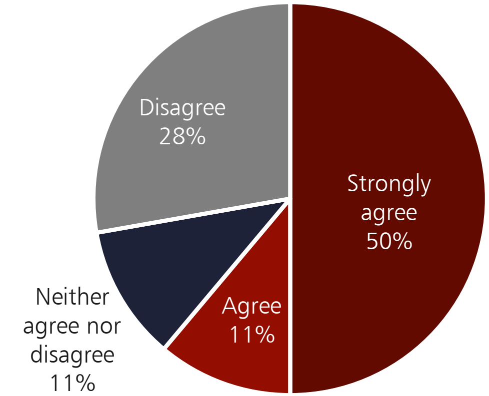
2020-21 approach

Further deferral of IFRS16 until 1 April 2022 (2021-22) with departments able to apply for early adoption

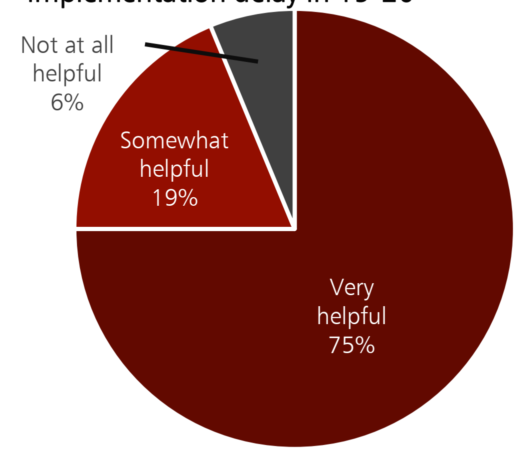
The first deadline (related to Estimates) to apply for early adoption has passed (25 January 2021, FD 20/04)

Action Plan: HMT publishes application guidance, good practise examples, lessons learnt and hosts training sessions

Government entities planning to take advantage of an admin deadline extension in 20-21



Usefulness of IFRS16 implementation delay in 19-20



Ongoing monitoring and review:

Timeline of events:

14 January 2021: Annual PES on ARA preparation and guidance

April 2021: Strategic review of COVID-19 pandemic reporting response

April 2021: Updated guidance and measures via PES

July 2021: Summer recess starts

September 2021: Summer recess ends

November 2021: Consider the need for further measures in 21-22

Phase 3

Phase 4

Planned future strategy:

Phase 4 - outlined in 'Ongoing monitoring and review'

- Continue to monitor and assess the effectiveness of the reduced reporting measures and guidance offered for 20-21.
- Continue to support government bodies in their financial reporting responsibilities for 20-21 and onwards.
- Decide on whether guidance and reduced reporting measures will be approved for the 21-22 reporting period.

Note - Based on preliminary information from the NAO, government departments are expected to take longer to return to the 'regular' reporting timetable with delays projected to continue until the end of 2022.

HM Treasury

Please direct questions to
Resource.accounts@hmtreasury.gov.uk