



## Financial Reporting Advisory Board Paper

### In year amendments for Government Financial Reporting Manual (FReM) and Illustrative Statements for 2022-23 and 2023-24

<b>Issue:</b>	HM Treasury requests that the FRAB agrees to the publication of an updated 2022-23 FReM and Illustrative Statements and new 2023-24 FReM and Illustrative Statements.
<b>Impact on guidance:</b>	The FReM and Illustrative Statements are updated for application from 2022-23. Amendments are made for corrections; clarifications; to update performance reporting in light of changes to performance management; inclusion of the requirement to disclose other financial commitments; additional guidance on PPP arrangements.
<b>IAS/IFRS adaptation or interpretations for the public-sector context?</b>	No new interpretations or adaptations.
<b>Impact on WGA?</b>	Yes – WGA will be expected to incorporate the changes made in accounting standards within the Whole of Government Accounts.
<b>IPSAS compliant?</b>	N/A – The FReM follows IFRS and then has regard to IPSASs.
<b>Impact on Estimates/budgetary regime?</b>	No Estimates or budgetary regime impacts are anticipated for 2022-23.
<b>Alignment with National Accounts</b>	N/A- no changes made which impact alignment between National Accounts and departmental accounts.
<b>Recommendation:</b>	That FRAB notes the proposed in year amendments to the FReM and illustrative statements for 2022-23 and the first edition of the 2023-24 FReM. The Board is asked to agree both FReM publications.
<b>Timing:</b>	The updated Manuals and Illustrative Statements will be published in December 2022.



## Background

1. The Memorandum of Understanding between the Relevant Authorities for developing financial reporting guidance for the public sector requires that the version of the FReM for each financial year is available to users by the proceeding 1 January.
2. This paper requests that the Board notes the proposed in year amendments to the 2022-23 FReM which was originally presented to the Board in November 2021 and published in December 2021. Secondly, to comply with the MoU, this paper requests that the Board notes the 2023-24 FReM for the first time.
3. The Board is asked to agree to the publication of both manuals.
4. In-year changes proposed to the 2022-23 FReM and illustrative statements include:
  - Minor corrections;
  - Changes to improve clarity;
  - Inclusion of a requirement to include a disclosure note covering other financial commitments; and
  - To update performance reporting for departments in light of changes to the performance framework managed by HM Treasury and the Cabinet Office.
  - Inclusion of additional PPP guidance.

## Amendments to the 2022-23 FReM and illustrative statements

5. There are no significant proposed in-year changes to the 2022-23 FReM. Many of the in-year changes that were made resulted from feedback from departments or technical queries during the year.
6. The final version of the 2022-23 FReM is included at Annex A (separate document). A full list of the amendments may be found in Annex B with an explanation for their rationale.
7. Minor wording changes have been made to the Department Yellow illustrative financial statements (Annex C) in note 4.4.
8. No changes have been made to the other 2022-23 illustrative financial statements (Annex C – separate document).
9. Note, additional changes to the 2022-23 FReM may be required depending on the outcome of FRAB's decision on paper FRAB 148 (15) [social benefits].

## Amendments to IFRS

10. There are no amendments in the updated 2022-23 FReM relating to changes in IFRSs.

## Amendments to the 2023-24 FReM and illustrative statements

11. The in-year updates to the 2022-23 FReM roll forward into the draft 2023-24 FReM considered at this meeting.
12. The final version of the 2023-24 FReM is included at Annex D (separate document).
13. The illustrative statements can be seen in Annex E (separate document).



14. There are no changes to the 2023-24 draft FReM and illustrative statements from the 2022-23 versions.

## Recommendation

15. The Board is requested to consider the proposed amendments to the 2022-23 FReM and to agree the publication.
16. The Board is requested to consider the proposed amendments to the 2023-24 FReM and to agree the publication.

HM Treasury  
24<sup>th</sup> November 2022



## Annex - Amendment record - In-year amendments to the 2022-23 FReM

Paragraph(s)	Change	Reason for change
5.3.3(e), 5.3.3(f), 5.4.4(iv), 5.4.4(c)	Changes made to reflect changes in central government performance management as outcome delivery plans are no longer relevant.	Explained in 'Change' column.
5.3.3(i)	New requirement added for statement r.e. government functional standards.	Added in line with <a href="#">DAO 05/21</a> .
5.4.9, 5.4.10	References to Rural Proofing removed.	The Rural Proofing policy applies to a small number of departments (DCMS, DfT, Defra, DHSC, OGP) and the scope was more limited than initially believed. The requirement has been moved to the PES paper.
6.5.23	Paragraph deleted	Paragraph is no longer relevant as it related to 2021-22 when the updated fair pay disclosures were new.
6.4.41	Thresholds stated in the paragraph updated.	Updates made to reflect MPM in NI may have different reporting thresholds.
6.6.16	Text changed to <i>'The Statement of Outturn against Assembly Supply for Northern Ireland departments is based on similar principles to the Statement of Outturn against Parliamentary Supply. For Northern Ireland departments, references to Parliament</i>	NI have implemented their version of Clear Line of Sight (called Review of Financial Processes in NI) from 2022-23. This amendment reflects this change.



Paragraph(s)	Change	Reason for change
	<i>in this guidance equates to the Northern Ireland Assembly and references to the Consolidated Fund equate to the Northern Ireland Consolidated Fund.'</i>	
6.6.17	Paragraph deleted	NI have implemented their version of Clear Line of Sight (called Review of Financial Processes in NI) from 2022-23. This amendment reflects this change.
6.7.1(d)	Addition of words 'special severance payments in a few places'	To improve clarity of the guidance.
6.7.1(g)	Amendment of table headings.	To improve clarity of what is required within the table.
6.7.2	Drafting update to make it clearer that 6.7.2(g) is not subject to audit.	Explained in 'Change' column.
7.6.16	Other financial commitment disclosure added	Added to formalise the disclosure's requirement as a result of feedback, as the request for disclosure only existed in Dept Yellow and not in FReM or IFRS.
9.1.19, 9.1.20, 9.1.21	Guidance added on transfers of functions between entities.	Guidance added from the business combinations application guidance into the FReM due to queries from government departments and auditors.
11.1.10 and 11.1.11	Paragraphs deleted	NI have implemented their version of Clear Line of Sight (called Review of Financial Processes in NI) from 2022-23. This amendment reflects this change.
10.1.63 - 10.1.65	Guidance added on revised treatment of indexation linked payments in PPP arrangements	Guidance added in line with FRAB decision that an IFRS 16 approach should be applied to index linked payments in PPP arrangements.
12.3.4	Requirements split between those which should be in the accountability	Paragraph previously stated all requirements are to be in the financial statements, which is not correct.



Paragraph(s)	Change	Reason for change
	report and those which should be in the financial statements.	