# Financial Reporting Advisory Board

## In year amendments for Government Financial Reporting Manual (FReM) and Illustrative Statements for 2026-27 and 2027-28

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| **Issue:** | HM Treasury requests that the FRAB agrees to the publication of an updated 2026-27 FReM and Illustrative Statements and new 2027-28 FReM and Illustrative Statements. |
| **Impact on guidance:** | The FReM and Illustrative Statements are updated for application from 2026-27. Significant amendments are set out in this paper. |
| **IAS/IFRS adaptation or interpretations for the public-sector context?** | 2026-27 FReM: no new adaptations or interpretations added to the 2026-27 FReM.<br><br>2027-28 FReM: no new adaptation or interpretations added. |
| **Impact on WGA?** | Yes – WGA will be expected to incorporate the changes made in accounting standards within the Whole of Government Accounts. |
| **IPSAS compliant?** | N/A – The FReM follows IFRS and then has regard to IPSASs. |
| **Impact on Estimates/budgetary regime?** | The estimates and budgetary impact of the new adaptations and interpretations in the FReM have been agreed and included in HM Treasury's Consolidated Budgetary Guidance (CBG). |
| **Alignment with National Accounts** | N/A- no changes made which impact alignment between National Accounts and departmental accounts. |
| **Recommendation:** | That FRAB notes the proposed in year amendments to the FReM and illustrative statements for 2026-27 and the first edition of the 2027-28 FReM. The Board is asked to agree both FReM publications. |
| **Timing:** | The updated Manuals and Illustrative Statements will be published in December 2026. |

DETAIL

## *Background*

1. The Memorandum of Understanding (MoU) 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 2026-27 FReM which was originally presented to the Board in November 2025 and published in December 2025. Secondly, to comply with the MoU, this paper requests that the Board notes the 2027-28 FReM for the first time.
3. Recommendation: That the Board recommends both manuals for publication.

## *Amendments to the 2026-27 FReM and illustrative statements*

4. The full list of in-year changes to the 2026-27 FReM can be found in Appendix 1 to this paper. In-year changes proposed to the 2026-27 FReM include:
    - Updating the performance reporting requirements in sections 5.3-5.4.
    - Deleting the requirement to disclose Trade Union Facility Time from paragraph 6.5.31h of the FReM as Section 66 of the Employment Rights Act 2025 repealed this requirement. [this change was made to the 2026-27 FReM updated in March 2026]
    - Adding additional guidance in paragraph 6.5.31k of the FReM to help entities to determine what should be included in exit package calculations.
    - Clarifying in paragraph 6.7.1d of the FReM that the requirement to disclose remote contingent liabilities in the accountability report does not extend to trust statements.
    - Updating paragraph 6.7.1f to require entities to include information on the amounts charged and the statutory authority for the charge in their analysis of fees and charges. [this change was made to the 2026-27 FReM updated in March 2026]
    - Deleting paragraph 7.6.10 of the FReM regarding application of IFRS 8- Operating Segments.
    - FReM adaptation relating to transferor accounting in Section 8.2 of the FReM, table 2, moved from end of table to an adaptation to IFRS 10 follow FRAB member feedback.
5. Two changes have been made to the 2026-27 Department Yellow, Agency Pink and NDPB Green illustrative statements compared to those published in December 2025:
    a. Sentence added to clarify that note 2 on operating segments is only required for entities who fall within the scope of IFRS 8.
    b. Clarification made that entities do not need to separately disclose immaterial PPE or intangible asset categories within the PPE and intangible asset opening to closing balance reconciliation notes. Entities could amalgamate immaterial categories into a single 'other PPE' or 'other intangible assets' column for example.

6. No changes have been made to the Pension Scheme Magenta or Trust Statement Purple illustrative financial statements and can be found here for reference.
7. The 2026-27 FReM can be found separately in **Annex 1** to this paper. As the changes to Department Yellow, Agency Pink and NDPB Green are the same, we have included the revised Department Yellow illustrative statements only at in **Annex 2** to this paper.

## *Amendments to the 2027-28 FReM and illustrative statements*

8. The 2027-28 FReM will be updated for changes to reporting consultancy and professional services and fraud and error spend depending on the outcomes of FRAB papers 160 (04) and 160 (05).
9. There are no other changes to the 2027-28 FReM at this stage. This is expected because:
10. IFRS 18 is proposed to be implemented in the 2028-29 FReM rather than the 2027-28 FReM as set out in FRAB paper 160 (07).
    a. The financial year HMT plan to implement IFRS 19 is to be determined.
    b. IFRS 20 is yet to be endorsed by the UK Endorsement Board.
11. The 2027-28 FReM and illustrative statements have not been provided as no changes have been drafted therein at this stage.

## Routine review of change to the FReM

12. At FRAB 157 in November 2025, HMT proposed to review the amendment record after 3 years and highlight to the Board if there are any changes/additions to the FReM that require further review or discussion following implementation (refer to FRAB paper 157 (03) paragraphs 22 and 23). HMT stated the first review will be at the November 2026 FRAB meeting. The review is focussed on minor changes only, as major changes are typically subject to post implementation reviews.
13. Appendix 2 lists all the changes made to the 2023-24 FReM. HMT have concluded no changes need to be reviewed. This is because many of the changes are clarifications/ improvements in reporting guidance and should be kept.
14. HMT have not added new minor disclosure requirements in the 2023-24 FReM.
15. The next routine review will be due in November 2027, covering changes made to the 2024-25 FReM.

## Recommendation

16. The Board is requested to consider the proposed amendments to the 2026-27 FReM and to agree the publication.
17. The Board is requested note the 2027-28 FReM will be published in December 2026, with the only potential changes relating to reporting of consultancy and professional services expenditure and fraud and error.
18. The Board is requested to agree the amendment record should be reviewed, and any known implementation issues highlighted, as part of the routine FReM approval process.

19 November 2026

## Appendix 1- Amendments to the 2026-27 FReM

The table below sets out consequential changes to the 2026-27 FReM published in December 2026 from the 2026-27 FReM published in March 2026. [N.B it does not include minor changes such as correction of typos, changes to cross-referencing etc.).

| Paragraph(s) | Change | Reason for change |
|---|---|---|
| 1.2.2 | Replaced reference to Clinical Commissioning Groups to NHS Integrated Care Boards. | Clinical Commissioning Groups have been replaced with Integrated Care Boards in the NHS. |
| 2.6.15 | Paragraph added clarifying entities do have some flexibility to include required information in the annual report where they see fit, provided there is sufficient cross-referencing and signposting. Examples have been provided.<br><br>The new paragraph also allows entities to use alternative section headings that are more meaningful to users, provided the required content remains readily identifiable. | Feedback from a department that they are unable to convince their auditors that including information in the ARA in a location not suggested by the FReM or using alternative section headings is acceptable, subject to sufficient cross-referencing and signposting. |
| Sections 3.6-3.8 | Several updates and deletions of paragraphs have been made. | To make the guidance clearer and more concise. |
| 5.3-5.4 | Amended guidance on performance reporting to remove requirement to report against strategic outcomes and objectives agreed at Autumn Budget 2025 and instead report against strategic outcomes and objectives agreed in the entity's | The guidance initially included in the 2026-27 FReM published last year was a placeholder whilst the performance reporting approach for 2026-27 was agreed.<br><br>The approach for 2026-27 has now been finalised. |

| Paragraph(s) | Change | Reason for change |
|---|---|---|
| | Strategic Plan for 2026-27, agreed with their HMT Spending Team. | |
| 5.3.3g and 5.4.4b | Reordering and changes in language in these sections so they are more aligned. | Feedback from departments requesting better alignment of these sections to allow preparers to compare the two sections more easily when checking all requirements are met. |
| 5.4.4e | Updated performance reporting requirements for Northern Ireland bodies to report about how they are contributing towards the Programme for Government 2024-2027: 'Our Plan: Doing What Matters Most' | Feedback from Northern Ireland colleagues. |
| 5.4.9-5.4.13 | Clarifies which entities must apply the TCFD Application Guidance and Sustainability Reporting Guidance, aligning scope with the relevant frameworks. Explains how statutory and regulatory requirements take precedence, and when other public bodies should consider or may voluntarily adopt TCFD-aligned disclosures. | Clarifies who must report, how the FReM interacts with other requirements, and the options for bodies outside the mandatory scope. |
| 6.5.31k | Additional guidance added for entities to determine what to include in exit package calculations. | Feedback from NAO- receive many queries on what should be included within an exit package. |
| 6.7.1b | Clarified the requirement to disclose remote contingent liabilities does not apply to Trust Statements. | Reasons for not disclosing in remote contingent liabilities in trust statements are:<br><br>- They are not a requirement under IAS 37<br>- They are not listed in any of the existing relevant guidance (e.g. FReM 11.3.18 and 11.3.20) |

| Paragraph(s) | Change | Reason for change |
|---|---|---|
| | | - They sit in the Parliamentary Accountability report and are implicitly linked to Supply Estimates |
| 6.7.1d | Wording updated to clarify special severance payments included in the losses and special payments note are included on an accruals basis. | The previous wording implied special severance payments are included in the losses and special payments note on a cash basis only. After internal discussions at HMT, agreed accruals basis is correct. |
| 7.6.10 | Paragraph deleted. | IFRS 8 is applied in the FReM without adaptation or interpretation per Chapter 8 of the FReM. Paragraph 7.6.10 of the FReM therefore deleted as is superfluous guidance. |
| 8.2, Table 2 | FReM adaptation relating to transferor accounting moved from end of table to an adaptation to IFRS 10. | After November 2025 FRAB meeting a FRAB member feedback that the adaptation added to the FReM relating to transferor accounting should be an adaptation to IFRS 10. |
| 10.1.20 | Paragraph deleted. | This paragraph had guidance on narrative to include to explain changes to the valuation regime in the 2025-26 ARA. Guidance now out of date, so deleted. |
| 12.1.1 | Reference to '*Department for International Development – Overseas Superannuation Scheme*' changed to '*Foreign, Commonwealth and Development Office- Overseas Superannuation Scheme*'. | We have been advised by the FCDO that the superannuation scheme changed names in 2020: FCDO Overseas Superannuation Accounts 2020-21 HC 661 |
| Department Yellow, Agency Pink, NDPB Green illustrative | Sentence added to clarify that note 2 on operating segments is only required for entities who fall within the scope of IFRS 8. | IFRS 8 applies to the FReM without adaptation or interpretation. The scope of IFRS 8 is not adapted or interpreted by the FReM. Therefore, entities need to consider whether they are actually in scope of IFRS 8 disclosure requirements. |

| Paragraph(s) | Change | Reason for change |
|---|---|---|
| statements Operating Segments note | | |
| Department Yellow, Agency Pink, NDPB Green illustrative statements PPE and Intangible assets notes | Clarification made that entities do not need to separately disclose immaterial PPE or intangible asset categories within the PPE and intangible asset opening to closing balance reconciliation notes. Entities could amalgamate immaterial categories into a single 'other PPE' or 'other intangible assets' column for example. | Feedback from departments to ensure only material information is included in the financial statements. |

The table below sets out consequential changes to the 2026-27 FReM published in March 2026 from the 2026-27 FReM published in December 2025. [N.B it does not include minor changes such as correction of typos, changes to cross-referencing etc.].

| Paragraph(s) | Change | Reason for change |
|---|---|---|
| 6.5.31h) | Trade union facility time disclosure requirement removed. | Section 66 of the Employment Rights Act 2025 repealed the requirement for relevant public sector employers to publish trade union facility time.<br><br>The Cabinet Office collected facility time data for the final time for the 2024/2025 financial year. Data collection for the |

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| | | 2025/2026 financial year and beyond will cease. The reporting requirement in the FReM is therefore removed. |
| 6.7.1f) | In the analysis of fees and charges, entities need to also include information on the amounts charged and the statutory authority for the charge. | To align with HMT Managing Public Money (MPM) requirements. |

# Appendix 2 – Analysis of changes to the 2023-24 FReM

| FReM | Paragraph(s) | Change | Reason for change | Should this change be reviewed? |
|---|---|---|---|---|
| 2023-24 | 1.5.2 | New wording included outlining the factors considered when making amendments to the FReM. | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 2.3.2 | New diagram included giving an overview of the contents of an ARA | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 5.1.2 | Bullet points translated into diagrammatic form | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 5.4.3 | Inclusion of a new diagram summarising information previously in bullet points | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |

| FReM | Paragraph(s) | Change | Reason for change | Should this change be reviewed? |
|---|---|---|---|---|
| 2023-24 | 5.4 and 5.4.5 | Simplification of headings within Chapter 5 section 4 and simplification of wording within 5.4.5 | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 5.4.5 (d) | Rewording of and removal of comply or explain element for the requirement to produce a SOPS 2 reconciliation | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 5.4.6 (b) | Additional wording allowing entities to signpost to equality information should it be available elsewhere | Reason for change outlined in Performance Reporting Thematic Review paper taken to FRAB meeting 151 | No |
| 2023-24 | 5.4.8 | First sentence, changed '*…are expected to'* to '*must*'. | This requirement is mandatory rather then optional, so the language has been updated to reflect this fact. | No |
| 2023-24 | 5.4.9 | TCFD guidance added | TCFD Phase 1 disclosures are required from 2023-24 for entities meeting certain thresholds. | No |

| FReM | Paragraph(s) | Change | Reason for change | Should this change be reviewed? |
|---|---|---|---|---|
| 2023-24 | First bullet point under the table above paragraph 6.5.41 | Bullet point removed. | Feedback from some preparers disputed that £245 is representative of the minimum day rate for a senior civil servant. The bullet point has therefore been removed. | No |
| 2023-24 | 6.5.44 | Paragraph deleted | Paragraph deleted as it duplicated requirements in 6.5.44 a) and 6.5.44 c) | No |
| 2023-24 | 6.7.1 b) | Guidance added to clarify that scope of transactions for this paragraph is remote contingent liabilities in scope of IAS 37 but not disclosed. | This change was explained in paper 5, section C presented at FRAB 150. | No |
| 2023-24 | 6.7.1 g), first bullet point) | Guidance added to clarify that scope of transactions for this paragraph is remote contingent liabilities in scope of IAS 37 but not disclosed. | This change was explained in paper 5, section C presented at FRAB 150. | No- the scope of transactions for this paragraph per the 2026-27 FReM is both contingent liabilities reported under IAS 37 and remote contingent liabilities included in the accountability report. |

| FReM | Paragraph(s) | Change | Reason for change | Should this change be reviewed? |
|---|---|---|---|---|
| 2023-24 | 6.7.3 | New best practice requirement for entities to include links to written ministerial statements and departmental minutes which have been presented to parliament notifying them of liabilities. | This change was explained in paper 5, section C presented at FRAB 150. | No |
| 2023-24 | 8.2.1, Table 2, IFRS 9 adaptation 5 | Adaptation added | This change was explained in paper 6 presented at FRAB 149. | No |
| 2023-24 | 8.2.1, Table 2, IAS 32 interpretation 1 | Guidance added on public dividend capital (PDC) impairments due to a machinery of government change. | When there is a machinery of government change this could result in an impairment of PDC (e.g., due to entities being dissolved). HM Treasury have determined that it is more appropriate for these impairments to go through reserves as the trigger for impairment is a change in government policy rather than financial management or performance issues. | No |
| 2023-24 | Section 10.3 | Removal of guidance related to the Carbon Reduction Commitment (CRC) scheme. | The CRC was closed by the UK Government in 2018-19, with refunds for any allowances purchased provided at the discretion of the Secretary of State for the Department for Energy Security and Net Zero. Further information can be found here: CRC Energy | No |

| FReM | Paragraph(s) | Change | Reason for change | Should this change be reviewed? |
|---|---|---|---|---|
| | | Replaced with guidance on the Climate Change Levy. | Efficiency Scheme: closure guidance for participants - GOV.UK (www.gov.uk)<br><br>The CRC has been replaced with the Climate Change Levy.<br><br>The guidance added on the Climate Change Levy is based on the existing guidance on this levy within the DHSC GAM. | |