



HM Treasury

# **HM Treasury – Government Financial Reporting**

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# Pop quiz

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Q1: When is the updated FReM issued?

A) December of each year

B) February of each year

Q2: What did Rahul create for his first signature bake in the 2018 bake off?

A) Chocolate Orange Layer cake

B) 3D biscuit bake of 'First Spring in the UK'

Q3: What recent International Financial Reporting Standard will now be implemented in the UK public sector in 2020/21, instead of 2019/20 as originally planned?

A) IFRS 16

B) IFRS 17

## Who we are:

### Government Financial Reporting (GFR) team in HM Treasury

- We update and issue the Financial Reporting Manual (FReM) on an annual basis. The FReM provides guidance on reporting and specifies any adaptations and interpretations to IFRS for the public sector.
- Through this we fulfill HM Treasury's statutory role as the public sector accounting standard setter, steered by the independent Financial Reporting Advisory Board (FRAB).

## Who we are:

### Government Financial Reporting (GFR) team in HM Treasury

- Our range of work is not limited to our statutory remit:
  - We account manage departments, providing them with technical advice when needed.
  - We are also currently working on specific budgeting and capacity building projects.
  - Our wider team works on Estimates, classifications and Whole of Government Accounts.

# What we do: new standard implementation

- The implementation of new standards in the public sector is a lengthy process. The implementation of IFRS 9 and IFRS 15 had lead times of four years each.
- We actively engage departments to ensure that their views are heard. For example, for IFRS 16 we have set up a Technical Working Group, made up of representatives from departments, which has had a significant input into the project and we have fed specific queries into RASIG.
- We work closely with the FRAB, an independent body that provides oversight and advice on the implementation of new standards.
- We adapt and interpret standards for the public sector to help departments apply them, while ensuring the usability and relevance of accounts is not diminished.

# Financial reporting updates

Standard	Public sector implementation date	Budgeting treatment	Application guidance
IFRS 9	2018/2019	Agreed	Published on Gov.uk
IFRS 15	2018/2019	Agreed	Published on Gov.uk
IFRS 16	2020/2021	Target to issue budgeting guidance by March 2020	Published on Gov.uk
IFRS 17	2022/2023	To be published	To be published

# Financial Reporting Manual (FReM) updates

When?	What?	To include...
December 2018	FReM 2018-19 (final version)	Minor updates following issues that surfaced in the 2017-18 financial year; adaption/implementation of IFRS 9 and 15; acknowledgement of the new <i>Conceptual Framework</i> .
	FReM 2019-20 (draft version)	The same updates carried forward.
December 2019	FReM 2019-20 (final version)	Further updates on issues that surface in the 2018-19 financial year; any minor changes emerging from the GFR review.
	FReM 2020-21 (draft version)	We intend to carry out a zero based review of the FReM, in addition to bringing in changes emerging from the GFR review.



## Updates – Discount rates

- HMT issues discount rates in December of each year, for departments to apply to provisions.
- The rates issued historically have been **REAL RATES** (which take account of inflation). Due to low BOE interest, these rates have been negative in recent years.
- HMT initiated a project in late 2016 to assess whether the type of rates issued should be changed, to a) avoid the issuance of negative rates and b) to better align with best practice. As a part of this project, we have consulted extensively with departments.
- From December 18, HMT will issue **NOMINAL RATES** (which do not take account of inflation).
- Where nominal rates are applied, provisions should be separately adjusted for inflation.
- Full guidance and the PES paper containing discount rates for 18/19 can be found on OneFinance.





# Updates – Controls guidance

- HMT sent out new **CONTROL FRAMEWORK GUIDANCE** to departments just before Christmas.
- HMT have noted that there has been increasing approaches by departments requesting authority to change control limits. This was also noted by the C&AG in his letter on the 16/17 annual reports and accounts cycle.
- This document contains no new information and does not change any of the financial controls.
- It is a consolidated document of control information to help departments and sets out:
  - What the controls are;
  - The control limits;
  - The relevant guidance that refers to the control;
  - The penalty for breaching the control; and
  - The authorisation procedure if the control is breached.



## Updates – Further updates

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- The updated Consolidated Budgeting Guidance is due to be published early in 2019.
- Technical Accounting Centre of Excellence (TACoE) launched 25<sup>th</sup> July 2018. Cabinet Office is also creating a Debt Centre of Excellence, currently in preparation.
- We are likely to issue guidance on any disclosures required in relation to Brexit nearer year end.
- The 16/17 WGA was published in June and is available online. It is a superb resource, enabling the easy comparison of departmental spending, summarising the financial position of the public sector and analysing financial performance:  
<https://www.gov.uk/government/collections/whole-of-government-accounts>

# Updates – Government Financial Reporting Review

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2014 *Simplifying and Streamlining*

2017 *Accounting for Democracy*

- Public Administration and Constitutional Affairs Committee (PACAC) make recommendations for reporting

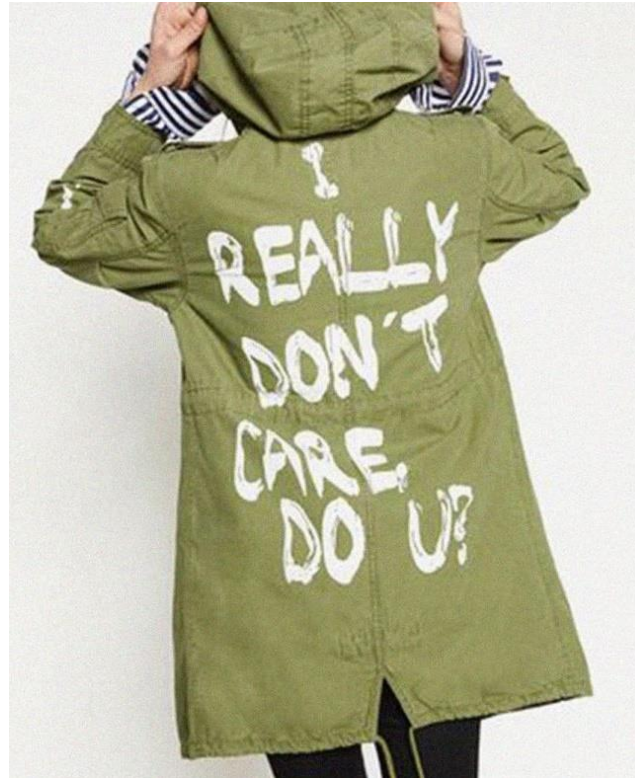
**2018-19 – Government Financial Reporting Review**

# GFR review – why do we care?

Accountability

Transparency

Trust in a  
climate  
of 'fake news'



Statutory  
requirement

Telling our stories

# GFR Review – challenges and thinking

Taming complexity



Preparing useful reports



Assurance



Integrated thinking?



User engagement



“I wouldn't start from here...”

## Further info and contact

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- You can find detail on our team and the work we produce on One Finance (look for the Government Financial Reporting team):  
<https://e-pims.cabinetoffice.gov.uk/OneFinance/home/89/Government-Financial-Reporting>
- The FReM and application guidance are published on Gov.uk (they are all easily googled). PES papers, which also contain guidance, are emailed to departments and stored on One Finance
- We feed into departments through HMT spending teams, the NAO, FRAB, the FLG, RASIG, Technical Working Groups and TACOE
- Should you need to get in touch, email: [Resource.Accounts@hmtreasury.gov.uk](mailto:Resource.Accounts@hmtreasury.gov.uk)