

Developing financial reporting guidance for the public sector: Terms of Reference for the Relevant Authority Working Group

1. The Financial Reporting Advisory Board (FRAB) is responsible for providing independent advice to the relevant authorities on financial reporting principles and standards. The “relevant authorities” for this purpose are HM Treasury in respect of central government, the Scottish Government, the Northern Ireland Executive and the Welsh Government in respect of central government and the health sector in their territories, the Department of Health and Social Care (DHSC) and NHS Improvement in respect of the health sector in England, and CIPFA/LASAAC¹ in respect of local authority accounts across England, Wales, Scotland and Northern Ireland.
2. This Terms of Reference sets out the operational arrangements for developing financial reporting guidance for the public sector.

Financial reporting guidance for the public sector

3. Financial reporting guidance for the public sector is based on EU-adopted International Financial Reporting Standards (IFRS), adapted as necessary for the public sector context. Financial reporting guidance for the UK public sector is set out in:
 - a. the Financial Reporting Manual (FRM) for government departments and their arm’s length bodies, including related application guidance;
 - b. the DHSC Group Accounting Manual (the GAM) for DHSC group bodies including clinical commissioning groups, NHS trusts, NHS foundation trusts and arm’s length bodies; and
 - c. the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Due Process

The Relevant Authority Working Group

¹ The Chartered Institute of Public Finance and Local Authority (Scotland) Accounts Advisory Committee Local Authority Code Board

4. The relevant authorities ensure that the financial reporting guidance set out in the manuals and the Code is kept up to date.
5. The relevant authorities shall establish a Working Group whose membership shall comprise:
 - the Secretaries of the FRAB and CIPFA/LASAAC; and
 - representatives from each of the other relevant authorities.
 - representative from MHCLG²
6. The Group shall be chaired by the FRAB Secretary, and FRAB shall be advised of its members and minutes from the meetings. Participants are able to nominate a deputy from their relevant authority when necessary.
7. When proposing amendments to the FReM or, for the Code and other manuals, adoption of a divergence from IFRS and/or the FReM, the relevant authority shall discuss those proposals with the Working Group.
8. The Working Group shall consider the proposals on a case by case basis for consistency across the public sector, or seek reasons for sector-specific differences being proposed. Consistency is regarded as the expected objective but, dependent on circumstances, in some cases divergence may be considered appropriate.
9. Where a relevant authority has a materially different approach due to differing statutory or stakeholder requirements, the relevant authority will inform and seek discussion with members of the Working Group before submission to FRAB.
10. The representatives from CIPFA/LASAAC and the devolved administrations shall advise of any impacts the proposals might have on Council Tax and whether there are acceptable alternative treatments.

Public consultation

11. Each relevant authority will follow their due process of consultation and engagement, including bringing any item for

² The Ministry of Housing, Communities and Local Government is not a relevant authority but has responsibility, within government, for the financial framework for local government and has therefore been invited to be a member of this group.

discussion by the Working Group. Whether the proposal is to be consulted on publicly or is to be considered by the FRAB without deliberation by any other body, the proposal shall be published by the relevant authority.

12. The public consultation shall comprise placement on the relevant authority's website and by targeted circulation or consultation as appropriate. The public consultation period shall be not less than four weeks.
13. The relevant authority shall, except where respondents have requested confidentiality, place a summary of responses on their websites.

Papers considered by the FRAB or other bodies

14. The relevant authorities shall analyse and summarise the responses in the paper that is taken either to the FRAB for approval or, where a separate body (for example, CIPFA/LASAAC) deliberates, to that body. Only where the responses to the consultation do not support the proposal should the Working Group be consulted again.
15. The FRAB secretariat shall aim to distribute papers to FRAB members at least one week prior to the meeting date. Other bodies (for example, CIPFA/LASAAC) need to build into their Due Process arrangements an allowance for adherence to this timetable.
16. Papers for meetings of the FRAB and the other bodies shall be referred to on the relevant authority's website together with any links were appropriate.
17. Where a separate body considers the responses to its consultation, that body shall be responsible for agreeing the content of the manuals or Code. That separate body shall present for approval to the FRAB:
 - the full and final text of the manuals or Code prior to its being issued for the first time; and, thereafter
 - a list of differences between the manual or Code and the FReM.

Implementation dates

18. The version of the FReM for financial years starting on 1 April shall be available by the preceding 31 December and shall incorporate all IFRS effective as at that date – that is, 15 months before the end of the financial year to which the FReM relates. The version of the GAM for financial years starting on 1 April shall be available by 30 April of that year. The relevant versions of the other manuals and the Code shall be available by 1 April for the financial year starting on that day and ending on the following 31 March. Exceptions in respect of the DHSC Group Accounting Manual and the Code may be made to this general rule, with the agreement of the FRAB, where additional time is needed to change charging regimes or regulations in order to mitigate the potential impact of guidance changes on Council Tax.

Hierarchy

19. The manuals and the Code shall be prepared using EU-adopted IFRS³. Where appropriate, the manuals and the Code can then refer to International Public Sector Accounting Standards (IPSAS) and UK accounting standards issued by the Accounting Standards Board.

Influencing the development of accounting standards

20. The Working Group shall monitor activities of accounting setters and other relevant organisations

Review

21. These Terms of Reference shall be reviewed every two years or at the request of one of the relevant authorities.

³ Taken to include IASs and interpretations of IFRSs and IASs issued by IFRIC or SIC.

Signatures

22. Signed on behalf of the Working Group members:

Vikki Lewis
HM Treasury

Alison Douglas
Scottish Government

Kim Jenkins
Welsh Government

Steven Wareing
Department of Health and Social Care

Kathryn Allen
Department of Finance
Northern Ireland Executive

Gareth Davies
Chartered Institute of Public Finance and Accountancy

Eleanor Shirtliff
NHS Improvement

Matt Hemsley
Ministry of Housing, Communities, and Local Government