

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 17 July 2018

Meeting time: 09.00

For further information contact:

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Committee Clerk

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(The Committee agreed on 9 July 2018, a motion under Standing Order 17.42 to resolve to exclude the public from this meeting)

- 1 Introductions, apologies, substitutions and declarations of interest**
(09.00)
- 2 The 21st Century Schools and Education Programme:
Consideration of Committee letter**
(09.00 – 09.10) (Pages 1 – 4)
PAC(5)–22–18 Paper 1 – Draft letter
- 3 Housing Adaptations: Consideration of draft report**
(09.10 – 09.30) (Pages 5 – 18)
PAC(5)–22–18 Paper 2 – Draft report
- 4 The Welsh Government's Supporting People Programme:
Consideration of the Welsh Government's response to the
Committee Report**
(09.30 – 09.40) (Pages 19 – 29)
PAC(5)–22–18 Paper 3 – Welsh Government's response to the Committee
Report
PAC(5)–22–18 Paper 4 – Letter from the Auditor General for Wales
- 5 Financial Reporting Advisory Board Report 2016–17**
(09.40 – 09.50) (Pages 30 – 57)



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Wales

6 Challenges of Digitalisation

(09.50 – 10.00)

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Response to the Report of the National Assembly for Wales Public Accounts Committee Report on: The Welsh Government's Supporting People Programme

We welcome the findings of the report and offer the following detailed response to the thirteen recommendations contained within it.

Recommendation 1 - We recommend the Welsh Government publish revised guidance for the Programme quickly to provide the required clarity on the overall Programme aims and objectives. At the very least this guidance could be provided short-term, in the context of the proposals for a new integrated grant and the implications of the UK Government's Supported Accommodation Review

Accept – We agree that the Supporting People sector would benefit from revised guidance with a clearer statement of the core purposes of the programme. Revised guidance has been developed and is in the process of being translated and prepared for publication. Plans to publish sooner were put on hold to avoid undue confusion as we moved forward with flexible funding pathfinders, but we are now committed to publishing as quickly as possible and no later than the end of August of this year.

Recommendation 2- We recommend that the Welsh Government engages closely with key stakeholder organisations in evaluating the impact of the flexible funding pilots and to determine the scope and timing of any further grant integration affecting the Supporting People Programme beyond 2018-19

Accept – Our proposal for a new integrated Early Intervention, Prevention and Support Grant responds to local authorities' request to reduce the complexities created by the existing grant structures to enable them to re-design the way they deliver services with the longer term aim of improving outcomes for the most vulnerable in society.

We are engaging extensively with all stakeholders who are potentially affected by the proposal:

- Officials meet monthly with the Pathfinder Working Group consisting of the seven pathfinder local authorities, the WCVA, WLGA and Cymorth, with members representing their wider organisations and sectors.
- Engagement events, focussed solely on ensuring a fuller understanding of the flexible funding proposals, have taken place with all other local authorities and further events will continue throughout 2018-19. At these events local authorities have the opportunity to hear about progress from the pathfinders and share their own experiences and proposals for redesigning the way they deliver services as outlined in the delivery plans produced in advance of 2018-19.
- Officials have engaged with a number of interested stakeholder groups including the Supporting People National Advisory Board, the Supporting People Information Network, Youth Offending teams, the Families First Coordinators Network, Out of School Care project managers, the Distribution Sub Group, Cymorth conference attendees, St David's Day Fund local authority leads.

An independent evaluation has been commissioned and the contract has been let through the Welsh Government procurement service, with the successful tender submitted by Wavehill.

The overall aim of the evaluation is to provide information on the implementation of a single grant, in order to understand how its delivery might affect the achievement of outcomes in the longer term. It will seek to maximise learning from the full flexibility pathfinders and the extended flexibility non-pathfinders in 2018/19, and feed into effective implementation of a single EIPS Grant in 2019/20, should that decision be made.

More specifically, the evaluation will serve the following aims:

- a) To further develop the theory of change and logic model for the project and test whether the assumptions about how the project would work have proved to be correct.
- b) To assess how effective the implementation of the single grant has been, considering what changes have been made by local authorities and Cwm Taf Public Service Board in response to the project; whether efficiencies have been realised, and how this compares to what was expected. This is to provide a detailed overview of the progress of the project so far.
- c) To assess the effectiveness of the grant's current monitoring system and its suitability going forward. Linked to this will be the development of an outcomes framework, identifying potential future outcomes, a method for measuring these, and recommendations for future evaluation.
- d) To learn lessons from the first year on what worked well or less well and why, and to compare this to the aims and objectives. This will feed into recommendations to inform future grant development.

The specification made clear the expectation that a range of stakeholders, in local government and the third sector, are engaged by the contractor during the evaluation.

Recommendation 3 – We recommend that the Welsh Government pause and reflect on its approach to evaluating the feasibility of an integrated grant proposal. We recommend that the Welsh Government considers extending the timescale of the flexible funding pilot project to ensure that a thorough and detailed examination of their impact can take place.

Reject – Our approach to evaluating the proposed Early Intervention, Prevention and Support Grant is comprehensive. As outlined in response to Recommendation 2, we have commissioned an independent evaluation by Wavehill. In addition to this formal evaluation our ongoing engagement with stakeholders provides real-time information and intelligence on the process of implementation in pathfinder local authorities. In addition, we have commissioned the Society of Welsh Treasurers to provide an analysis of the possible administrative and service efficiencies that might be generated by working differently, to complement the independent evaluation.

Naturally, if we establish that there is insufficient evidence to support full implementation at this stage, we will review the position.

Our independent evaluation has been structured in such a way that it will provide ongoing evidence to inform our assessment of implementation. Our action research based approach means we have regular discussions with the evaluators who are providing ongoing feedback on their emerging findings and a first report is expected in September. A final report is expected in May 2019 which will summarise the experience of the pathfinder local authorities and the changes in working arrangements and service delivery that can be attributed to the integrated grant arrangements. We expect as a result of the multiple strands that make up our evaluation strategy, we will have gained a good appreciation of these impacts ahead of the final report of the independent evaluation being submitted.

In introducing a single grant we expect to see a number of changes in how pathfinder local authorities plan, commission and deliver services for vulnerable people. Our evaluation will provide evidence of whether such changes are occurring. We will be looking in particular for evidence that:

- Local authorities are taking a more joined up approach to identification of need, enabling them to identify gaps in provision and any potential duplication;
- They are able to use this needs analysis to jointly plan and commission services across traditional departmental boundaries;
- There is better information sharing across services to aid planning and delivery;
- Planning of services across the 10 constituent programmes is increasingly aligned with the single set of outcomes; and
- Administrative arrangements have been reviewed and opportunities for reallocation of staff resources have been considered as a way of reducing the overheads associated with grant administration.

The Early Intervention, Prevention and Support Grant is predicated on a set of outcomes which reflect the aims and objectives of the 10 constituent programmes. We are continuing to collect a range of performance and management information relevant to each of the constituent programmes and this will enable us to assess any changes in delivery.

This comprehensive range of information, evidence and data will, we believe, enable us to undertake a thorough and detailed examination of the implementation of the single grant. As stated above, should this information, evidence and data prove insufficient, we would of course consider whether it would be appropriate to extend the pathfinders.

Recommendation 4 – We recommend that, as part of its evaluation work, the Welsh Government identifies clearly the extent to which individual local authorities have taken advantage of the funding flexibility provided and how this has supported better outcomes.

Accept – It is our intention, through the various strands of work that comprise our evaluation strategy, to identify how local authorities have taken advantage of the funding flexibilities provided.

Pathfinder local authorities were required, as part of the Early Intervention, Prevention and Support Grant application process, to set out how they intended to re-organise and re-configure service delivery. The delivery plans submitted to Welsh Government in advance of financial year 2018-19 set out local authorities' initial proposals for new approaches to service delivery. For example - pooling resources to deliver a single coordinated and more strategic approach to providing services for survivors of domestic abuse and sexual violence. In another local authority they are taking the opportunity to develop a single data base with one view of the individual to better monitor outcomes. This data will help identify any gaps or duplication in services and measure the success of interventions more robustly. Local authorities are also considering how to streamline the administration and monitoring arrangements under the existing grant schemes, and work is progressing to understand the range and scale of activity and number of roles currently undertaking this work. The monthly pathfinder meetings focus on the different opportunities being taken by pathfinders to maximise sharing and learning.

Generally, we will be considering whether pathfinders have used the opportunity of the new single grant to improve administration, reduce bureaucracy and drive improvements and efficiencies within their own organisations. Most importantly, we will want to understand how these arrangements will enable them to innovate and change service delivery with the aim of improving outcomes for vulnerable groups who are the focus of the constituent programmes. We will also seek to understand how the pathfinders are using the governance and accountability arrangements in local government to scrutinise the decisions they make to ensure services respond to local needs.

Our aim in taking forward the pathfinders is to explore the scope and opportunity for greater creativity and innovation to better serve citizens.

The aims of the independent evaluation being undertaken by Wavehill include assessing how effective the implementation has been, considering what changes have been made by local authorities and considering whether efficiencies can be realised. It will also assess the effectiveness of the current monitoring system and its suitability going forward.

Our monthly meetings with the pathfinder local authorities are focussed on the implementation of new ways of working enabled by the single grant arrangements. For example, local authorities have shared with us their experiences of implementing new arrangements for supporting survivors of domestic abuse and developing more integrated employment support services.

Assessing the impact of service changes on outcomes for citizens is complex. Establishing causality and isolating the effects of one change in the context of many others is very challenging. For example, many of the vulnerable groups we seek to support have been and will continue to be affected by welfare reform changes and the roll out of universal credit. It is worth noting the contractual nature of some of the services being delivered as part of this programme, may inhibit rapid changes on the ground.

Recommendation 5 – We recommend that the Welsh Government report back to the Committee on the outcomes of work to facilitate comparable outcomes monitoring for different client groups. The Committee would also like to hear about the outcomes of the Welsh Government’s wider evaluation work and recommend the findings are reported back to us on a formal basis.

Accept – Throughout 2018-19 we will continue to collect performance data across the 10 programmes included in the Early Intervention, Prevention and Support Grant on the same basis as previous years for both pathfinder and non-pathfinder local authorities. This will enable us to make comparisons and monitor any trends. The findings of the independent review being conducted by Wavehill on behalf of Welsh Government is being taken forward in line with Government Social Research protocols and will, in line with best practice, be published once finalised and we are happy to share this, and the interim report, with the Committee.

Recommendation 6 – We recommend that the Welsh Government reconsider the grants it proposes to include in an integrated funding stream, and particularly considers, as part of future development, the relative merits of integrating Supporting People solely with housing and homelessness grants.

Accept – Our initial work in developing a more integrated approach to supporting vulnerable people, which dates back to 2015, focussed on four programmes primarily aimed at tackling poverty – Supporting People, Families First, Flying Start and Communities First. In response to the ongoing dialogue that we established with local authorities we were asked to consider whether a wider range of programmes could be brought within scope owing to the potential synergies in terms of aims and outcomes being sought. Consequently the current 10 programmes have been included in the Early Intervention, Prevention and Support Grant being taken forward in pathfinder local authorities.

As part of our continuing dialogue with stakeholders, and as we reflect on the emerging evaluation evidence, we will reconsider whether these, or other, programmes represent the right mix of early intervention, prevention and support services and the synergies between them. Over time, we may also want to consider if other programmes could additionally be included to allow local authorities to provide more holistic support for citizens.

Our primary consideration will be whether pathfinders have used the opportunity of the new single grant to improve administration, reduce bureaucracy and drive improvements and efficiencies within their own organisations. Most importantly we want to understand how these arrangements will enable them to innovate and change service delivery with the aim of improving outcomes for vulnerable groups who are the focus of the constituent programmes. As part of this we will seek to understand how a separate grant focussing only on housing-related services could also seek to meet the integrated aims indicated.

Recommendation 7 – We recommend that the Welsh Government clearly quantifies the extent of the financial savings that can be accrued through reduced administration costs and more efficient delivery of services through its integrated

grant proposals. This evaluation should include assurances that efficiency savings that may be delivered in the Pathfinder areas can be delivered elsewhere.

Reject – Following previous work by the WAO and views expressed consistently by Welsh Local Government, there is a case that integrating grants should reduce the level of administrative overhead and increase flexibility in the use of the funding. We will assess the opportunities for these efficiency gains as part of our evaluation. However the extent of the savings, the reductions in costs and, critically, the reinvestment of gains can only be fully accounted for by the pathfinder authorities themselves using their own detailed internal budget information. We have therefore asked the Society of Welsh Treasurers to provide an assessment of the opportunities that might be generated by working differently. We believe that this recommendation should be made jointly with Local Government.

The approach we are taking with the pathfinder local authorities is focussed on gaining a better understanding of best practice and the improvements to service delivery that can be achieved through greater integration and a focus on citizen centred services. We will continue to develop mechanisms for sharing learning from these pathfinders with non-pathfinder authorities.

The draft budget showed a total combined budget for 'early intervention prevention and support grant' in 2019-20 is 5% less than the total of individual grants in 2018-19. This reflected the need to realise savings across the range of Welsh Government activities. As part of the ongoing budget process, we will continue to review the amount needed to deliver the required outcomes during the planning for the 2019-20 budget.

Reflecting the protection agreed by Ministers for the Supporting People Programme in 2018-19 and 2019-20 the flexible funding guidance makes clear our expectation that 'Local Authorities must allocate funding to the Supporting People programme at least at the level of the SP allocation unless the authority can demonstrate they can be sure of delivering the same, or improved, services for less money as a result of efficiencies'.

Recommendation 8 – We recommend that Welsh Government clarifies the role of Regional Collaborative Committees in the context of the flexible funding pilot projects and in the event of any future rollout of an integrated grant

Accept – The proposed Early Intervention, Prevention and Support Grant is made up of a number of programmes, there are different regional working arrangements in place across these. Local authorities were asked to provide details of their approaches to regional working as part of their delivery plans. Regional working in relation to Supporting People has made mixed progress. Nevertheless we are keen to build on any progress to date.

Officials have already met with Chairs and Vice-chairs of Regional Collaborative Committees (RCCs) as well as the Regional Development Co-ordinators to discuss how they can work with Pathfinder and non-Pathfinder authorities. As part of this work a survey is being conducted of how existing relationships between the RCCs and Regional Partnership Boards and Public Service Boards are working. This will

allow us to assess what are the barriers and enablers to effective regional working and will facilitate consideration of how regional arrangements might be developed in any new grant arrangements. We intend to retain regional working as a key part of but acknowledge that it may need to adapt to reflect any new arrangements.

Recommendation 9 – Alongside its evaluation of the flexible funding pilot projects, we recommend that the Welsh Government carries out an urgent review to explore whether commissioners are struggling to attract bids for Supporting People services due to funding uncertainties.

Accept – We will commission a piece of work with commissioners to understand their experience. Where necessary, we will follow-up this piece of work with potential bidders to understand what barriers may exist and the effect of uncertainty on their position. This will be completed by Autumn 2018.

Recommendation 10 – We recommend that the Welsh Government provide the Committee with an update on its response to the Auditor General’s recommendation on the funding formula to clarify its intent. This update should include details of how the Welsh Government intends to allocate the overall budget to local authorities for any integrated grant while also ensuring that it is needs based.

Accept – In our response to the Auditor General we were clear about the impact of any redistribution on local authorities and services.

With the introduction of grant integration proposals there is now an added dimension of the effect of distribution issues within other grants to be considered. This uncertainty is further complicated by the revised timetable for the Supported Accommodation Review (SAR) of April 2020 which will bring additional, and related, resources from the Welfare system to Welsh budgets. As yet we are unclear about the distribution affect of the SAR money.

As a result any attempt to solve anomalies in the distribution of Supporting People monies in isolation would be likely to lead to the destabilising affects of redistribution being experienced twice as it could leave other key elements with distributions that are not needs based and which would need to be addressed later.

With this in mind we do not intend to progress redistribution work within the original timescale which was for an April 2020 implementation. Whilst it remains our ambition to achieve a distribution which more accurately reflects needs, we believe it would be better to take a holistic approach to this work once all of the relevant factors can be understood. In the meantime we would anticipate distributing any integrated grant initially on the basis of the legacy funding levels of the relevant grants and this has been the basis of allocations under Funding Flexibility.

Recommendation 11 – We recommend that the Welsh Government confirms its commitment to the actions that it set out previously in response to the Auditor General’s recommendations about learning disability services and benchmarking of service costs.

Accept – We are happy to confirm this commitment and the timescale for the work to review the Supporting People Spend Plan information by April 2019.

Recommendation 12 – We also recommend that the Welsh Government looks in a similar way at the issue of the variation between local authorities in Supporting People provision for other specific groups, including any obvious differences in the types of support i.e. fixed or floating

Accept – We have the information necessary to do this within the monitoring information that is collected as part of our current grant terms and conditions and we will undertake an analysis of the level of variation. However, it is important to be clear that strategic planning for the delivery of Supporting People services takes place at the local authority level within the context of partnership working through RCCs. Variation can be a proper reflection of the nature of local needs and local approaches and does not, in itself, indicate a problem exists. However, we will consider how we can share information on variances with local authorities in a way that allows them to benchmark themselves and assure themselves that local approaches remain the most effective way at delivering the best outcomes by April 2019 in line with other work on variances.

Recommendation 13 – We recommend that the Welsh Government provides comprehensive guidance and training to ensure any revised outcomes framework, for the Supporting People Programme, or for any new integrated grant, is clearly understood and used consistently across Wales from the outset.

Accept – Whether the future framework is specific to Supporting People or encompasses a wider set of outcomes appropriate to an integrated grant mechanism, we recognise the importance of achieving consistent and accurate use of the framework and will support commissioners and providers to deliver this with guidance and training. The improvements we seek to make to the funding of support and preventative services are predicated on improving the focus of all on the outcomes achieved and it is essential that we are able to use outcomes frameworks to hold parties properly to account through robust and credible information. The development and implementation of the framework will be designed to achieve this. Work is now commencing, building on existing work across all 10 grant streams, in partnership with key stakeholders to begin to develop the framework. We recognise that moving to a truly outcomes focussed approach will take time and require collaborative working with partners and stakeholders.

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Reference: HVT/2888/caf

Date issued: 10 July 2018

Dear Nick

Welsh Government response: the Supporting People Programme

The clerks have requested my advice on the Welsh Government's response to the Committee's report on the Supporting People Programme. The Welsh Government has accepted 11 of the Committee's 13 recommendations. Welsh Government proposals for a new integrated Early Intervention, Prevention and Support grant from 2019-20 and the potential impact on the Supporting People Programme provided the context for many of the recommendations.

Where the Welsh Government has accepted the Committee's recommendations then, in most cases, I consider its response satisfactory and a lot now hinges on the quality of the evidence base and engagement that underpins any future decision-making. However, I would highlight the following:

Recommendation 1: The Committee expressed concern about a delay in the production of refreshed guidance for the Supporting People Programme. The Welsh Government had indicated that the guidance would be published in spring 2018 but this is still not yet the case. The Welsh Government has put the further delay down to a desire to avoid undue confusion as it moved forward with its flexible funding pathfinders. However, I would have expected the guidance to have helped clarify expectations and the point at which the risk of confusion might have been greatest now seems to have past.

If the Welsh Government moves forward with its plans to introduce the new integrated grant from April 2019, the delay in the publication of the Supporting People guidance may diminish its value. The Committee might wish to seek further clarity on the reasons for the delay and its impact. The Committee might also wish to seek assurances about the timetable that the Welsh Government would expect to work to in publishing fresh guidance for any new integrated grant.

Recommendation 3: The Welsh Government has rejected this recommendation. The Welsh Government appears confident in the evaluation approach that it has set out and is not proposing any changes. The response provides some

assurance that there is real-time feedback and intelligence emerging from the evaluation of the flexible funding pilots and from its wider engagement work. I note that while the Welsh Government does not feel at this stage that it needs to extend the timescale for the flexible funding pilots, it has given a commitment that will revisit that position if it considers that the evidence it is gathering proves insufficient to support its decision-making based on the current timeframe.

Recommendation 7: The Welsh Government has rejected this recommendation, indicating that it cannot discharge the work required on its own. Nevertheless, there is clearly a role here for the Welsh Government in its oversight of the flexible funding pilots, and to support its decision-making, to gather together the sort of evidence that the Committee was describing. To that end, the response confirms that there is work underway to assess opportunities for efficiency gains as part of the formal evaluation and that it is also looking to the Society of Welsh Treasurers to provide relevant evidence. The response also indicates that the Welsh Government will review the funding allocation for any new grant as part of the planning for the 2019-20 budget. The Committee can take assurance that relevant work is underway, but it may wish to clarify with the Welsh Government the reasons for rejecting the recommendation and the extent of the evidence about potential efficiencies that the Welsh Government believes it will have available to support its decision-making.

Recommendation 8: The response refers to discussions that have taken place about the role of Regional Collaborative Committees (RCCs) in the context of the flexible funding pilots. It also outlines work underway that could inform future regional working arrangements. However, the response could usefully have articulated exactly how the Welsh Government expects the RCCs to engage with the flexible funding pilots.

Recommendation 10: The Welsh Government has clarified its position on the funding formula. In response to my own recommendations the Welsh Government had indicated an April 2020 timetable for introducing a new Supporting People formula. That is no longer the ambition even though the Welsh Government remains committed to the ambition of achieving a distribution which more accurately reflects needs. The reasons for delay are understandable, but need to be seen in the context of this being an issue that dates back at least as far as the recommendations of the 2010 Aylward Review.

Recommendation 13: The response recognises the importance of getting the outcomes framework for Supporting People or any new integrated grant right. While it outlines the work underway, it does not confirm any timescales. It is unclear whether the Welsh Government expects that such work would be completed in time for a new framework to be properly established at the outset of any new integrated grant.

The Committee could return to this topic later in the calendar year once the proposals for grant funding arrangements in 2019-20 are confirmed (which I would

expect to feature in the draft budget). The Welsh Government has indicated that it will share with the Committee the interim evaluation report and that certain other work in response to the recommendations should also be completed by the autumn. However, the Committee will need to consider how any scrutiny of its own would fit alongside the budget scrutiny work of other Assembly committees in the autumn term.



HUW VAUGHAN THOMAS CBE
AUDITOR GENERAL FOR WALES

Agenda Item 5

Shan Morgan

Ysgrifennydd Parhaol

Permanent Secretary



Llywodraeth Cymru
Welsh Government

10 July 2018

Dear Mr Ramsey,

Please find attached a copy of the Financial Reporting Advisory Board (FRAB) report for 2016-17.

PAC members may recall that the FRAB recommends the adoption of new accounting standards across Government Departments in the United Kingdom. It plays a key role in reviewing all new accounting standards and advising on how and when they should be adopted by Government Departments. Typically the FRAB will look to minimise the number of amendments to a standard and ensure that it is adopted in similar timescales to the private sector. FRAB members also work closely with colleagues in HM Treasury to understand how any changes in accounting standards impact on the treatment of budget expenditure.

Any changes recommended by the FRAB are incorporated into the Finance Reporting Manual (FReM), which is used by all UK Government Departments in preparing their published annual accounts. Consequently, decisions taken by the FRAB will result in changes to either the presentation or treatment of costs within the Welsh Government accounts. For example, if and when International Financial Reporting Standard (IFRS) 16 (Leases) is introduced, this will result in a greater number of leased assets being owned by the customer (in our case the public sector) and not the supplier, which in turn will mean that the costs of those leased assets will be reported as capital and not revenue expenditure.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

All three UK Devolved Governments are represented on the FRAB

Yours,

A handwritten signature in dark ink, reading 'Shan Morgan'. The signature is written in a cursive style with a large, sweeping 'S' at the beginning. A horizontal line is drawn across the bottom of the signature.

Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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20th Report of the Financial Reporting Advisory Board

Report for the period
April 2016 to March 2017

FINANCIAL REPORTING ADVISORY BOARD

Report for the period
April 2016 to March 2017

Presented to the House of Commons pursuant to Section 24(4) of the Government
Resources and Accounts Act 2000

Laid before the Northern Ireland Assembly under Section 20(3) of the Government
Resources and Accounts Act (Northern Ireland) 2001 by the
Department of Finance and Personnel

The report is laid before the Scottish Parliament and presented to the Audit and Finance
Committees of the Scottish Parliament by agreement with the
Scottish Ministers

The report is submitted to the Public Accounts Committee of the National Assembly for
Wales by the Welsh Government

Ordered by The House of Commons to be printed on 6/02/2018

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Board Membership

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Kathryn Cearnis (until June 16)

Ian Mackintosh (from July 16)

Independent/ External members:

Anthony Appleton
Ron Hodges

Andrew Buchanan
Veronica Poole

Preparers/ Users:

Bob Branson
Ruth Elliot
Joseph McLachlan (from Nov 16)
Derek Yule (to Nov 16)

Gareth Caller
David Hobbs
Ian Webber (From March 17)

Auditors:

David Aldous
Kate Mathers (to Nov 16)

Russell Frith (from Nov 16)

Relevant Authorities:

Andrew Baigent
Gawain Evans
Vicky Rock
Aileen Wright

Jason Dorsett (to Nov 16)
Joanne McBurney
Alison Scott

Parliamentary Observer:

Craig Mackinlay MP

Please Refer to Annex A for Board Members attendance

Chair's Foreword

This is my first report as Chairman of FRAB.

Firstly, I would like to thank my predecessor, Kathryn Cearn, for the fine work she carried out during the six years that she was in the role. She reinforced the importance and the quality of FRAB and ensured it was always listened to and respected.

I would also like to pay tribute to the members of the board and the Treasury staff that serve it. This is really a high quality group of people. They, together, have given me a smooth path into my role.

The board has some interesting challenges in front of it. Major standards dealing with topics such as financial instruments, revenue and leases need to be introduced in the near future and each of them need serious consideration as to their effect in the public sector.

The appropriate discount rate to be used in applying various standards is another interesting area. The current low interest rate environment leads to the consideration of some seemingly perverse suggestions as to the rate to be used. The board needs to give very serious consideration to this issue as it can have enormous financial reporting implications.

A good and thorough system of financial reporting is in place for the UK government. It is now important that the reports that are produced are used in the most advantageous manner. They do stand, as a matter of record, of the assets and liabilities of the government and the movement in them over a period. That is, they already fulfil a stewardship function.

However, they also need to be used in decision-making, as an aid to the management of the finances, both at the whole of government level and for the agencies. This is a big challenge and requires a basic change in thinking. I look forward to hearing of advances in this regard.

I am looking forward to the coming year. I would like to thank the staff and the board for their work to date.

Executive Summary

1. This is the 20th report of the Financial Reporting Advisory Board (the Board). The Board's primary objective is to promote the highest standards of financial reporting by government through the provision of independent advice. The report is addressed to the Public Accounts Committee and the Treasury Select Committee in the Westminster Parliament, to the Northern Ireland Assembly, to Scottish Ministers and to the Public Accounts Committee of the National Assembly for Wales. This report covers the year April 2016 to March 2017.

Board membership

2. The 2016-17 financial year saw the Board undergo some changes in membership. After six years Kathryn Cearn's stepped down as Chair and the Board thanks Kathryn for her service, advice and challenge throughout her tenure. Ian Mackintosh was appointed as successor from July 2016. Ian was a previous chair of the Accounting Standards Board, Vice Chair of the IASB and a previous member of FRAB and brings a wealth of expertise into the role during a period of significant change in accounting guidance, as described below.
3. The Board thanks Kate Mathers and Jason Dorsett and welcomes new members Russell Frith and Joseph McLachlan.

Changes to accounting guidance

4. For much of the year the Board's focus has been on the implementation of three new accounting standards: IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*. The new standards have a significant impact on financial reporting. The Board has worked closely with the Relevant Authorities to ensure the full implications for the public sector are considered. It has also provided advice on proposals put forward by the Treasury for adaptations and interpretations.
5. IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are effective in the public sector from April 2018. The Board has provided detailed assistance on how the requirements in IFRS 9 *Financial Instruments* apply to entities within the public sector, noting the need for consistency in reporting for the Whole of Government Accounts.
6. The Board considered and agreed the project plan for IFRS 16 *Leases*. Although effective from the 2019-20 financial year, the Board are aware of the lead time needed to ensure the implications for the public sector are adequately

considered. The Board agreed with the priority issues and will work closely with the Relevant Authorities to secure a successful introduction of the Standard by the effective date.

Improvements to financial reporting

7. The Board were encouraged to hear about the post implementation review of the *Simplifying and Streamlining Accounts* project which aims to better meet the needs of users of annual report and accounts (ARAs). The project has been successful in delivering its initial objectives, but remains an iterative process. The Board is supportive of continuing the focus on simplification and securing further improvements in future ARAs, noting some inconsistencies in approach across reporting entities.
8. The Financial Reporting Manual (FReM) for 2017-18 was given due consideration by the Board. Only minor drafting changes were proposed to the 2017-18 manual and the 2016-17 update ensuring continuity for reporting entities.
9. The CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2016-17 was agreed and the Board welcomed the opportunity to comment on proposed changes for 2017-18 at the June meeting, prior to formal agreement later in the year. The proposed accounting change for network road assets has been delayed and the Board encourages the Relevant Authorities to resolve the remaining issues to secure this important objective. This aims to resolve a significant difference between central and local government financial reporting and provide consistency for the Whole of Government Accounts (WGA), addressing one of the major qualification issues.
10. The Board welcomed the publication of the Whole of Government Accounts 2014-15 in May 2016. It noted how the removal of two of the long standing qualifications were a significant achievement. Consideration was given to the planned actions to resolve the remaining qualifications, and the Board noted the strategy to secure continued improvements for the 2015-16 WGA. The Board reiterated the importance of the document for providing transparency on significant items on the balance sheet and encouraged the Treasury to continue to improve the usage and visibility of the document.

Priorities for 2017-18

11. As noted above, the key priority for the Board will be to ensure the three new accounting standards are fully considered in the public sector context, so they can be adopted on a timely basis. The Board will continue to deliberate

proposals on IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments*. Although IFRS 16 *Leases* is not effective until 2019-20, a detailed workplan is in place and the Board has a significant role in overseeing the Treasury's plans for the introduction of this change.

12. The Board will continue to ensure that broader developments in financial reporting are considered by the Relevant Authorities. This includes work arising from the European Commission's Public Sector Accounting Standards (EPSAS) project and international improvements in corporate reporting requirements. The latter will help focus reporting entities on improving the relevance of the information reported in ARAs to wider public financial management and the needs of users.
13. In fulfilling its remit to provide advice to Relevant Authorities, the Board remains keen to ensure that the views of users of government financial reports are heard. The Board welcomes any comments that users or other interested parties may have via the FRAB Secretary, contact details for whom are provided below.

Email: ian.bulmer@hmtreasury.gsi.gov.uk

Telephone: 0207 270 6632

Address: Ian Bulmer, FRAB Secretary, 1 Horse Guards Road, London, SW1A 2HQ

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Chapter 1

INTRODUCTION

Background to the Financial Reporting Advisory Board

14. The Financial Reporting Advisory Board (the Board) is an independent body fulfilling the statutory role as the 'group of persons who appear to the Treasury to be appropriate to advise on financial reporting principles and standards' for government, as required by the Government Resources and Accounts Act 2000¹.
15. The Board acts as an independent element in the process of setting accounting standards for government and exists to promote the highest possible standards in financial reporting by government. In doing so, the Board seeks to ensure that any adaptations of, or departures from, Generally Accepted Accounting Practice (GAAP) in the public sector context are justifiable and appropriate.
16. The Board's focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government departments, executive agencies, non-departmental public bodies and trading funds, and for examining the proposals for accounting guidance for local authorities. The Board also advises the Treasury on the implementation of accounting policies specific to WGA.
17. Further information about the Board (including: membership; Terms of Reference; meeting minutes; and papers) is available on the gov.uk website².

Background to the FRAB Report

18. In accordance with its Terms of Reference, the Board has a responsibility to prepare an annual report of its activities, including its views on the changes made during the report period to accounting guidance that is within the Board's remit.
19. The Board is required to send a copy of its report direct to the Public Accounts Committee and the Treasury Select Committee of the UK Parliament, to the Welsh Government, the Scottish Ministers and the Department of Finance and Personnel (Northern Ireland).
20. The Treasury, the Scottish Ministers, and the Department of Finance and Personnel (Northern Ireland) formally lay the Board's report before (respectively) the House of Commons, the Scottish Parliament, and the Northern Ireland Assembly. The Welsh Government submits the report to the Public Accounts Committee of the National Assembly for Wales.
21. This is the Board's 20th report and the report structure is summarised below.

Report structure

22. Chapter 2 of the report summarises changes to accounting guidance approved by the Board during 2016-17. Chapter 3 of the report details those issues in financial reporting, both new and continuing, which may lead to changes in accounting guidance in the future and provides an indication of how those issues will impact the Board's work in future years.

1 <http://www.legislation.gov.uk/ukpga/2000/20/section/24>

2 <https://www.gov.uk/government/policy-advisory-groups/financial-reporting-advisory-board-frab>

Chapter 2

CHANGES TO ACCOUNTING GUIDANCE IN 2016-17

Introduction

23. This chapter details significant changes in accounting guidance within the Board's remit for 2016-17 and 2017-18.

The 2016-17 Financial Reporting Manual (FReM)

24. The Board agreed the Treasury's proposed schedule of amendments to the 2016-17 FReM. These amendments were to correct minor errors and provide clarifications to improve disclosure requirements. In 2015-16, the Board had already agreed (and previously reported³) a number of issues relating to the 2016-17 FReM.

25. The revised FReM was issued by the Treasury in December 2016. A log of all 2016-17 amendments is available on the gov.uk website.⁴

Proposed 2017-18 Financial Reporting Manual (FReM)

26. The Board also reviewed the form and content of the proposed 2017-18 FReM presented by the Treasury. No further changes to the FReM 2017-18 were proposed from the 2016-17 version. The WGA section of 2017-18 FReM currently states that highways infrastructure assets held by local authorities are recognised at historical cost (10.2.5). The FReM will be updated once CIPFA/LASAAC finalise proposals for local authorities to move towards Depreciated Replacement Cost (DRC).
27. At its meeting on the 9th November 2017, CIPFA LASAAC decided to postpone the full implementation of the move to measuring Highways Network Asset at Depreciated Replacement Cost in local authority financial statements.

³ 19th Report of the Financial Reporting Advisory Board, Report for the period April 2015 to March 2016

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578367/2016-17_Amendment_Record.pdf

The NHS Manual for Accounts 2015-16 and Foundation Trust Annual Reporting Manual 2015-16

28. The two previous health manuals have been combined to create the Group Accounting Manual (GAM) for the first time for 2016-17 and there have only been very minor changes for the 17- 18 GAM.

The 2017-18 Code of Practice on Local Authority Accounting

29. The Board agreed the 2017-18 Code of Practice on Local Authority Accounting. The Code will be issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) in April 2017.

30. The changes to the 2017-18 Code related to:

- Narrative reporting will be based on elements of International Integrated Reporting Council (IIRC) framework elements.
- Tidying up of going concern and accounting policy reporting
- Proposed reporting requirements for IFRS 9 and IFRS 15

Chapter 3

BOARD ACTIVITIES IN 2016-17

Introduction

31. This chapter comprises the developments in financial reporting in the public sector, both new and continuing, which were addressed during 2016-17. An update on each of the developments considered by the Board is provided in Table 2 below. Table 3 provides details of when each topic was discussed. Papers and minutes from those meetings are available on the gov.uk website⁵.
32. In addition to continuing work on known developments in financial reporting, the Board monitors international developments in accounting standards which may have implications for public sector financial reporting and in which the Board has an interest. These include consultation documents issued by the IASB, the IFRS Interpretations Committee and the International Public Sector Accounting Standards Board (IPSASB).
33. The Board's future work on accounting standards will include considering the public sector implications of new standards on leases, revenue recognition, financial instruments and insurance contracts.

IFRS

IFRS 9, *Financial Instruments*

34. The Treasury introduced the revised draft of the IFRS 9 *Financial Instruments* Exposure Draft, in advance of the publication and consultation exercise which took place over the Summer 2016. The Treasury proposed to retain the existing IAS 39 interpretations when IFRS 9 is introduced. The Exposure Draft also highlighted an emphasis on materiality, and the level of judgement required by entities when introducing the new standard. The Board concluded that the final version of the Exposure Draft should include the pros and cons for hedging under both IAS 39 and IFRS 9 and that more emphasis should be placed on the new impairment model, which is fundamentally different under IFRS 9. The Board also highlighted the simplified approach to impairment for receivables balances, which are significant from a Whole of Government Accounts view. Treasury agreed to include an option to mandate this approach where applicable for consistency of reporting across the public sector.
35. The Treasury presented a paper reviewing the 23 Exposure Draft responses. The Board was informed that the new impairment model is seen as the greatest challenge to implementation and that the simplified approach was positively

⁵ <https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-minutes>

received. The Treasury proposed to mandate this approach for applicable financial instruments across the public sector, and to mandate the use of IFRS 9 for hedge accounting, implement retrospective application with no restatement and maintain the existing IAS 39 interpretations in the FReM.

36. The Board also considered how the impairment model would apply in practice to intra-government balances and what level of exemption would be appropriate for certain Crown balances. The Treasury agreed to analyse options further and to report back to the Board at the next meeting.

37. The Treasury presented an updated paper to the Board covering (a) the application of the impairment model in the public sector, (b) the impact on financial guarantees contracts and (c) the development of application guidance.

38. (a) Application of the impairment model in the public sector:

The Treasury provided the Board with a spectrum of options on where the boundary should be drawn to apply an impairment exemption in the public sector. The IFRS 9 technical working group assessed and discussed the practicalities of applying two different options:

- Balances with central government core departments and central funds being exempt from the new impairment model; and
- All entities within departmental consolidation boundaries and central funds being exempt from the new impairment model.

39. The Treasury concluded to the Board that some sort of exemption was required as a minimum, but that it would not be appropriate to apply the exemption unilaterally to all entities within consolidation boundaries. This was due to instances of subsidiaries within departmental boundaries having different credit ratings to the sponsor department. The Treasury proposed an exemption that includes all balances with core central government departments, their executive agencies, all central funds and the Bank of England. The exemption would also be extended to those entities covered by a guarantee from their sponsor department. The Board agreed with this proposal.

40. (b) Impact on financial guarantee contracts:

The Treasury asked the Board to endorse the two proposed IASB amendments to IFRS 4. The amendments have been introduced by the IASB to address insurer concerns about applying IFRS 9 before the new Insurance Contracts standard (IFRS 17) becomes effective. UK Export Finance were likely to be the only government department materially affected by the new standard. The Chair explained that it was the decision for the Board as to whether to adopt the amendments to IFRS 4 and that it is up to UK Export Finance to determine their own accounting policy

within the IFRS and FReM frameworks. The Board agreed to endorse the amendments to IFRS 4 in full.

41.(c)Development of application guidance:

The Treasury explained that their approach to issuing guidance for new standards should be specific to public sector issues and certain areas of difficulty, rather than general application guidance for applying the standard's requirements.

Future considerations

42.The Treasury agreed to provide a draft version of the application guidance for comment at the first meeting of the Board next year.

IFRS 15, Revenue Recognition

43.The Treasury presented the IFRS 15 Exposure Draft to be issued for public consultation. No adaptations or interpretations were proposed for IFRS 15 and the transition approach proposed - retrospective application without restatement - would be mandated across the public sector. The application of materiality was emphasised in the Exposure Draft and will be an important judgement that entities will have to make when applying the Standard, especially for the disclosure requirements. The Chair indicated it would be good to signpost in the Exposure Draft that work would be undertaken to provide examples of what disclosures could look like. The Chair further highlighted that the IPSASB were looking at expanding the principles of IFRS 15 to non- exchange transactions. However, the work was unlikely to be completed to feed into the UK's implementation timetable.

44.The Treasury followed up with a paper analysing the responses from the Exposure Draft consultation and the proposed next steps for implementation. The Board was informed that 22 responses had been received, with half the respondents raising no issues with the proposed approach for adopting IFRS 15. The remaining responses raised areas for clarification which included the distinction between revenue and tax in the public sector, the use of legislation/regulations as a contract to be explicitly referenced as an interpretation in the FReM and guidance on disclosures.

45.The Treasury also explained to the Board that the Whole of Government Accounts team were to review the Standard to consider how data would be collected to meet the disclosure requirements. The Board noted the progress made and agreed that the next steps were for the Treasury to prepare application guidance to assist with the implementation of the Standard. The Board noted that the guidance was not intended to be a comprehensive set of guidance, but rather focus on public

sector specific issues highlighted through the Exposure Draft consultation and Technical Working Group.

Future considerations

46. The Board will receive the application guidance to support the implementation of IFRS 15 along with the 2018-19 FReM.

IFRS 16, Leases

47. The Treasury provided the Board with an analysis of the existing leases disclosed in the 2014-15 Whole of Government Accounts. This analysis identified that future obligations on operating leases amounted to £19.2bn which would be significantly impacted by the introduction of IFRS 16 in the public sector along with the material organisations.
48. The Chair highlighted the need to identify the extent of intra-government leasing arrangements and whether issues identified in applying IFRS 16 were specifically a public sector issue or a general market issue.
49. The Treasury also informed the Board that they are looking at international public sector developments. They noted that some organisations were suggesting moving away from the asymmetry in the lessor and lessee accounting by changing the lessor accounting standards, as it was not common for the public sector to be a lessor to entities outside the public sector. The Treasury then set out the implementation plan for introduction of the new Standard. The Board agreed with the plan presented.
50. The Treasury informed the Board that a technical working group had now been established with representatives from the departments, CIPFA and trading companies covering both property and non-property leases. The Treasury is working closely with the Devolved Administrations to combine expertise and share insight. The focus of the initial meetings has been to understand the concepts used in the new Standard and identify accounting concerns. Treasury explained that the group identified initial topics for discussion, including (1) how to define a low value asset, (2) the identification of a lease, (3) additional information required from suppliers, (4) discount rates and, (5) the use of practical expedients to ensure consistency in application.
51. The Board commented on the definition of low value items, noting that it should be considered regardless of an entity's capitalisation threshold or the number of

contracts for the asset. The Board also commented that a lessor's incremental rate could prove difficult to obtain so Treasury should actively consider what lessee discount rate should apply.

52. The Treasury introduced some of the challenges that may be faced on potential misalignment between accounts, budgets and Estimates if IFRS 16 were to be adopted.

53. Treasury stated that maintaining two separate frameworks for financial reporting and National Accounts would be challenging and therefore the ONS will be running their work plan in parallel to assess the extent of the potential misalignment. The Board discussed whether there was any way of avoiding the misalignment between accounts, budgets and Estimates. The ONS explained that this was unlikely as whilst ESA10 was more aligned with IAS 17, the framework was unlikely to change in time for the IFRS 16 introduction.

54. The Board noted the progress made and stated, aside from the budgeting misalignment, the private sector was also facing significant issues in applying the requirements of the Standard.

Future considerations

55. The Board will continue to review the implications of the introduction of IFRS 16 and provide advice on the implementation plans and activities undertaken by the Relevant Authorities.

Other issues

Discount Rates

56. The Treasury submitted a paper to the Board setting out the discount rates to be applied for 2016-17. The Treasury then asked for the Board's view on delaying the long-term discount rate and conducting a full review of the discount rate policy. This was driven by current negative rates and observations that discussions on liabilities can be disproportionately focussed on trying to conceptually understand the meaning of negative rates. The Chair stated it was confusing how the methodology led to a negative rate. The Board discussed that if an inflationary discount rate is used then it is possible to have a negative rate, however it may be better to include inflation in the cashflow forecasts and then discount using a positive rate.

57. The Board discussed whether to update the long-term rate at each Spending Review cycle or to update annually in line with the short-term rate methodology. The Treasury stated that stability in the long-term rate ensures that Parliament has confidence in the numbers presented and that annual updates could lead to large fluctuations year-on-year. The Board agreed to delay the long-term rate update.
58. The Treasury also introduced a paper to the Board proposing to undertake a review of the discount rate methodology. The paper provided a project plan and the Treasury asked the Board for its view on the scope, objectives and timing of the review. The Board asked whether there were any links between this project and policy methodologies on what discount rate to apply, for example, when calculating compensation payments. No direct links were identified and the Treasury confirmed that the review had been initiated independently of the discount rate setting process for compensation cases, but it would be assessing the policy interaction in case there are any consequential effects.
59. The Board asked if there are any issues in the public sector that are different to the private sector. The Treasury explained that there are issues particular to the public sector, noting the review was an opportunity to look at the rationale, conceptual understanding of the Standard and the application of the discount rate methodology. The Board also discussed the pension discount rate, noting it was positive which increased the liabilities in WGA. A negative discount rate applied may complicate the understanding of the financial statements. The Chair highlighted the importance for the Treasury to meet the timetable set out in the paper.

Future considerations

60. Treasury to update the Board on initial findings in the November meeting.

Whole of Government Accounts

61. The Treasury introduced a paper to the Board highlighting the key trends from the 2014-15 accounts that were published at the end of May. The Treasury highlighted that two qualifications had been removed relating to 3G/4G income and the valuation of school assets. There had also been a significant reduction in the 'front half' of the report as the principles of *Simplifying and Streamlining* were applied. The focus for 2015-16 will be on reviewing disclosures. Treasury also informed the board that the WGA team will also be operating an account manager approach to provide more tailored advice and support to departments. The Chair thanked the WGA team and acknowledged the good work being undertaken.

62. The Treasury updated the Board on the WGA strategy for 2015-16. This was focussed on improving timeliness, simplifying the accounts and implementing a communications strategy to raise the profile of the accounts. The Board welcomed this but expressed a desire for the accounts to be more widely used by the public and Parliament. They suggested giving departments greater access to the WGA data. The Treasury agreed and the NAO mentioned that their own analytical website was available for users to query data, but remained a work in progress. The Treasury also updated the Board on the scope of the WGA accounts and stated that housing associations and RBS would not be consolidated in the 2015-16 accounts.

Simplifying and Streamlining

63. The Treasury stated that following the introduction of the *Simplifying and Streamlining Project* in 2015-16 they had now conducted a high-level post implementation review with the 17 main departments, account preparers, Parliamentary Scrutiny Unit and the NAO. Feedback from the Public Administration and Constitutional Affairs Committee inquiry into resource accounts was also considered. Feedback had been positive and departments would like to go further to make iterative improvements. Treasury asked for the Board to review the feedback and to share good practice from both the public and private sectors. The Welsh Government told the Board that they were supportive of simplification but their Public Accounts Committee had asked what more they could do. They also stated that their auditors had faced difficulties given the amount of information presented in the revised report. The Board also questioned whether the performance report should be audited against the financial statements to ensure it matched. The NAO confirmed that the report was reviewed in line with their consistency checks but was not formally audited. The Board discussed that the quality of reports varied across government departments and that standards needed to improve. It was important that departments were explicit about their strategic objectives and how they are reporting against them in the financial statements, linking the information to Single Departmental Plans.

64. The Board also recognised that there were multiple citizen users of the accounts and that Treasury needed to test the statements with other representative users to ensure their needs were being met. The Board discussed how some of the information removed from the financial statements had resulted in separate requests from users.

65. The Chair indicated that this had been a good discussion on simplification and the Board fully supported the ongoing work in this area.

Infrastructure Assets in Local Government

66. The Board were informed by CIPFA that the implementation of depreciated Replacement Cost (DRC) for highway infrastructure in Local Government would be delayed until 2017-18. This was due to the fact that the provisional central rate information publication was delayed and implementation in 2016-17 is no longer feasible. The Board expressed their disappointment in the delay in providing central rates but said that the existing momentum should be maintained. The Board also stated that it was important to have robust information on the central rates and sufficient assurance that these had been applied appropriately to local authorities.
67. The Board were assured that implementation would proceed in 2017-18.

Future considerations

68. The Board will be kept informed of the progress made in implementing DRC for valuing highway infrastructure in Local Government

FReM 2016-17 and 2017-18

69. The Treasury introduced a paper providing the Board with the revised Financial Reporting Manual (FReM) 2016-17 and illustrative statements. The draft FReM and illustrative statements for 2017-18 were also presented to the Board for consideration.
70. Minor changes were proposed to the 2016-17 FReM to correct errors and inconsistencies and no additional changes were proposed for the draft 2017-18 FReM. The Treasury noted that the 2017-18 FReM will need to be updated once the CIPFA/ LASAAC have considered the impact of the delay to implementation of DRC for valuing highways network assets.
71. The Board asked whether the accountability report was capturing everything it should and whether fees and charges should be audited as part of financial statements. The NAO agreed to work with Treasury to confirm the sections of the accountability report that were subject to audit.
72. The Board endorsed both versions of the FReM, with any final comments should be passed to the Treasury before publication.

FRAB Terms of Reference

73. Treasury explained that the terms of reference for the FRAB were last updated in 2011 and were due for review by the Board. The Board were advised of the Public Administration and Constitutional Affairs Committee report into government accounts was due shortly and there may be recommendations that the FRAB should consider.

74. The Board agreed to provide email comments.

Future considerations

75. The Board will consider the recommendations of the PACAC committee and keep the Board's terms of reference up to date.

Accounting standard or reporting issue	Board meeting where the accounting standard or issue was discussed		
	June 2016	November 2016	March 2017
IFRS			
IFRS 9, <i>Financial instruments</i>	✓	✓	✓
IFRS 15, <i>Revenue from Contracts with Customers</i>	✓	✓	✓
IFRS 16, <i>Leases</i>	✓	✓	✓
Other issues			
<i>Discount rates</i>		✓	✓
<i>Whole of Government Accounts (WGA)</i>	✓	✓	
<i>Simplifying and streamlining statutory accounts</i>		✓	
<i>Infrastructure Assets in Local Government</i>		✓	
<i>FReM 2016-17 and 2017-18</i>		✓	
<i>FRAB Terms of Reference</i>			✓

Annex A

Board attendance record

Name	Jun 2016	Nov 2016	Mar 2016
Chair			
Kathryn Cearn ⁶	✓		
Ian Mackintosh ⁷		✓	✓
Independent / external members			
Andrew Buchanan	✓	✓	✓
Anthony Appleton	✓		✓
Ron Hodges		✓	✓
Veronica Poole	✓	✓	
Preparers / users			
Gareth Caller	✓	✓	
David Hobbs	✓	✓	✓
Bob Branson	✓	✓	✓
Ruth Elliot	✓	✓	✓
Ian Webber		✓	
Joseph McLachlan			
Derek Yule			
Auditors			
David Aldous	✓	✓	✓
Kate Mathers		✓	

⁶ Kathryn's term as chair came to an end on the 23rd June 16

⁷ Ian Mackintosh took up his term as chair on the 24th November 16

Russel Frith	✓	✓	✓
Relevant Authorities			
Aileen Wright	✓	✓	✓
Andrew Baigent	✓	✓	✓
Alison Scott		✓	✓
Joanne McBurney	✓	✓	
Gawain Evans	✓	✓	✓
Vicky Rock	✓	✓	✓
Jason Dorsett			
Parliamentary Observer			
Craig Mackinlay MP		✓	

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