

## FOREWORD

This is the Financial Reporting Advisory Board's fifth report and covers the period from April 2001 to March 2002.

The purpose of the Board is to give independent accounting advice. Its aim is to ensure that the guidance in the Resource Accounting Manual, the Executive Non-Departmental Public Bodies Annual Report and Accounts Guide, and the Trading Fund Accounts Guide meets the best possible standards of financial reporting by following generally accepted accounting practice as far as possible. To this end, during this reporting period, we follow up on issues raised in our earlier reports, explain the views we have taken on amendments to the three accounting guides arising from changes to generally accepted accounting practice, and record our views on amendments arising from the implementation of the accounting guidance.

During this reporting period the remit of the Board was expanded to include Scotland, Northern Ireland and the National Health Service Trusts in England. I am pleased that the transition has gone well, and that the new Board members are making important contributions to the overall work of the Board.

The Board continued its consideration of accounting policies and the approach underlying whole of government accounts. This is an increasingly important component of the Board's work in improving public sector accounting.

During the reporting period the Treasury conducted further post mortems on the Manual and the first on the trading fund and NDPB accounting guidance. The Board was pleased that the trend is for few substantive issues to be raised, which indicates that the accounting guidance agreed with the Board is working.

The Board will continue to monitor international developments, including the work of the new International Accounting Standards Board, the International Federation of Accountants, and the need for strong corporate governance and accounting practices following the collapse of Enron.

The Board wishes to thank the Board secretariat, Chris Richards and Sue Gamble, for all their hard work and invaluable support throughout the year that has enabled us to deliver this report.

Elwyn Eilledge CBE (Chairman)



# **CONTENTS**

## **Executive Summary**

## **Main Report**

- A. Introduction**
- B. Issues arising from the previous report**
- C. New issues arising from changes to Generally Accepted Accounting Practice (GAAP)**
- D. New issues arising from sources other than GAAP**
- E. Whole of government accounts**
- F. Composition and operation of the Board**

**Annex A - The Financial Reporting Advisory Board – Operations**

**Annex B - Other amendments agreed by the Board to the Resource Accounting Manual, the Executive Non Departmental Public Bodies Annual Report and Accounts Guidance, and the Trading Funds Accounts Guidance**



# EXECUTIVE SUMMARY

## Introduction

This is the fifth report of the Financial Reporting Advisory Board ('the Board') and covers issues arising from the earlier reports, new issues arising and developments in whole of government accounts.

The Board considered amendments to the Resource Accounting Manual (the 'Manual'), the Executive Non-Departmental Public Bodies (NDPB) Annual Report and Accounts Guide, and the Trading Fund Accounts Guide. Following the extension of its remit the Board examined differences between the Manual and the Northern Ireland Resource Accounting Manual and between the Manual and the National Health Service Trust Accounting Guidance. The Board expects in the coming year to do a similar review of differences between the Manual and Scotland's Accounting Guidance.

The Board reports that there have been three departures from generally accepted accounting practice (GAAP) agreed during the reporting period, but notes that none were considered significant.

## Main issues arising from the previous report (section B)

**The departmental boundary** (section B.1) This remains an area of continuing interest. The Board has asked the Treasury to examine the extent to which the existing and proposed boundaries for the accounts of individual departments are consistent with GAAP.

**FRS 17 Retirement Benefits** (section B5) The Board agreed the general approach proposed by the Treasury and the disclosure requirements for 2001/02.

**Salary and pension disclosures** (section B.7) The Board is pleased that one of the issues reported on last year (the omission of a requirement to disclose benefits in kind) has been rectified, but notes that a new omission (that of ministerial pensions disclosure requirements) was identified. The Board is keen for this to be tackled quickly. The Board is disappointed that the issue of individuals having the right of non-disclosure under the Data Protection Act 1998 has not yet been addressed.

**Private Finance Initiative** (section B.9) As reported previously, following the issue of the revised Technical Note by the Treasury, the Board is keen to monitor the effects of this revised guidance and its retrospective application. The Treasury provided further monitoring information during the year. The Board noted the progress made and remains very interested in the final results of the retrospection exercise. The Board would also wish to maintain some form of monitoring over the application in practice of the revised technical note.

**Statement on the system of internal control (corporate governance)** (section B.10) The Board agreed illustrative statements of internal control to be included in the accounting guides and looks forward to the findings of the Treasury

review of departmental progress in implementing the full statements of internal control.

### **Financial Reporting Standard (FRS) 15: Tangible Fixed Assets (section B.11)**

The Board reported last year that it was concerned that the policy of mid-year valuations of fixed assets, currently required by the Manual, for purposes of in-year control, might conflict with the requirements of FRS 15. The Treasury has now proposed to departments that they should fully adopt FRS 15. The Board approved this approach and awaits detailed amendments to the accounting guides following the departmental consultations.

### **Main new issues arising from changes to GAAP (section C)**

**FRS 19 – Deferred Tax (section C1)** This new standard has been fully adopted where it applies but it affects only those executive NDPBs that are not exempt from corporation tax. The Board approved the necessary amendments to the accounting guides.

### **Main new issues arising from sources other than GAAP (section D)**

**Annual report (section D.3)** Following its review of departmental reporting arrangements, the Treasury proposed that an Operating and Financial Review should be included in an annual report to accompany published resource accounts. This was agreed by the Board.

**Decommissioning costs (section D.6)** The Board agreed amendments to the accounting treatment of capitalised decommissioning costs to alleviate, in part, distortions in the operating cost statement involving the cost of capital credit, unwinding the discount and the price uplift.

### **Whole of government accounts (section E)**

**Accounting for social security expenditure (Section E.3)** The Board has agreed that non-pension benefits should be accounted for in the year that they fall due with no provision for future expenditure, and that pending the development of an International Public Sector Accounting Standard on social policy obligations by the International Federation of Accountants, the working assumption should be that future state pension expenditure should not be provided for either. State earnings related pensions are still to be considered

### **Increasing the compatibility of resource accounts and national accounts**

**balance sheet data (section E.4)** The Board considered Treasury proposals on disclosures, primarily in connection with fixed assets, that would meet both GAAP and the European System of Accounts requirements. The Board was content with the bulk of the proposals and looks to consider further the disclosures in relation to land before finalising this topic.

**Initial draft accounts directions for the exchange equalisation account and the debt management account (section E.5)** These accounts were to be prepared on

an appropriate GAAP basis for the first time for the 2000/01 financial year and early in this reporting period the Board was asked to comment on the basis of accounting to be adopted. The approach taken was akin to the practice adopted by the banking sector which the Board agreed represented an appropriate application of GAAP in this context.

### **Role and composition of the Board (sections D10 and F)**

During the year the remit of the Board was extended to include advising on the financial reporting standards and principles in respect of accounts for which the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland are responsible for issuing reporting requirements, and for those of the National Health Service Trusts in England. The Board examined and agreed as acceptable minor differences between the Manual and the Northern Ireland Resource Accounting Manual, and between the Manual and the Trust Accounting guidance. The Board looks forward to reviewing in the next reporting period Scotland's accounting guidance.



## **A Introduction**

### *A.1 General*

A.1.1 This is the fifth report of the Financial Reporting Advisory Board (the 'Board'). It covers the period from April 2001 to March 2002. During the period the Board reviewed amendments, as put forward by the Treasury, to the 2000/01 version of the Resource Accounting Manual (the 'Manual') to make it applicable to the 2001/02 resource accounts. The Board also considered (in March 2002) some amendments for the 2002/03 version of the Manual.

A.1.2 The Board also considered amendments to the Executive Non-departmental Public Bodies (NDPBs) Annual Report and Accounts Guidance and the Trading Funds Accounts Guidance to maintain their consistency with the developing Manual as appropriate. These two sets of guidance take effect for 2001/02 accounts. The Board also considered (in March 2002) some amendments for the 2002/03 versions of these Guides.

A.1.3 The Board also examined and agreed as acceptable minor differences between the Manual and the Northern Ireland Resource Accounting Manual, and between the Manual and the NHS Trust Accounting Guidance for England. This follows the extension of the Board's remit to advising on these accounting requirements.

A.1.4 This report follows a similar structure to the Board's previous reports, covering:

- Section B – Issues arising from the previous report,
- Section C – New issues arising from changes to generally accepted accounting practice (GAAP),
- Section D – New issues arising from sources other than GAAP
- Section E –Whole of government accounts,
- Section F –Composition and operation of the Board,
- Annex A –The Board's Operations
- Annex B – Other amendments to the Resource Accounting Manual, the Executive NDPBs Annual Report and Accounts Guidance and the Trading Funds Accounts Guidance agreed by the Board.

### *A.2 Departures From GAAP*

A.2.1 The Board reports that there have been three new departures from GAAP agreed this year, none of which were significant. Further details can be found in this report:

- *FRS 17 Retirement Benefits* –
  - Different discount rate used for public sector pension schemes (Paragraph B.5.4),
  - The frequency of full actuarial valuations (Paragraph B.5.4), and
- Central government accounts - treatment of bodies with accounting reference dates other than 31 March (Paragraph E.5.2).

## **B Issues arising from the previous report**

### *B.1 Departmental boundary (Manual, section 1.5)*

B.1.1 In its earlier reports the Board expressed concern about NDPBs and trading funds being outside the departmental resource accounting boundary and not consolidated into departmental resource accounts, even though they deliver many of the government's outputs. In its previous report the Board recommended that in the next reporting period the Treasury should examine whether the present boundary accords with GAAP, and if not review whether any departures are appropriate or necessary.

B.1.2 During this period the Board agreed an amendment to the Manual that clarifies the circumstances where NDPBs should, under the current regime, be inside the boundary. This was as a result of the 1998/99 Manual post mortem. The Board also considered initial proposals from the Treasury that the departmental boundary should be extended to bring it into line with the resource budgeting boundary, and the boundary for central government accounts.

B.1.3 This development would result in NDPBs being included within the departmental boundary. In the Treasury's view this would move the boundary closer to one based on GAAP. There would, however, be some legal impediments to address. The Board agreed that the Treasury should carry out further work and report back.

B.1.4 In the Board's view, given that resource accounting and resource-based control have been implemented, the timing is now right for the Treasury to examine the extent to which the existing and proposed boundaries for the accounts of individual departments are consistent with GAAP. The Board also notes that the Accounting Standards Board's Public Sector and Not for Profit Committee would be, over the coming year, continuing with its project to develop a Statement of Principles for not-for-profit entities and that, as this project develops, it might inform the Treasury's review of the boundary. The Board approved this approach.

### *B.2 Interaction with resource budgeting*

B.2.1 In its previous reports the Board noted that careful attention needs to be given to the development of the resource budgeting system for public expenditure planning and control if perverse incentives are to be avoided. This continues to be an important issue. The Board also continues to be interested in the interaction between potential accounting movements and control issues, particularly those that result from in year changes.

B.2.2 During this reporting period the Treasury representative on the Board gave an update on developments in the framework of resource budgeting in the run up to the 2002 Spending Review. The Board retains an interest in these developments and looks to the Treasury to keep it informed about progress.

### *B.3 Accounting for the effects of general inflation*

B.3.1 In its previous reports the Board noted that there was no plan to introduce an adjustment for the effects of general inflation (other than in respect of the interest subsidy for student loans). During the year the Board noted that there had not been any activity in this area for some time and requested that the Treasury produce a progress report. The Board expects to consider this during the forthcoming reporting period.

### *B.4 Provisions for subsidised loans*

B.4.1 An adjustment for the effect of general inflation (paragraph B.3.1) would, in particular, be a prerequisite for the establishment of provisions for subsidised loans other than of student loans. Without it, setting up such provisions would not provide a true and fair view of the liability because all liabilities are discounted at a real rather than a nominal rate of return. Consequently the Board reported last time its endorsement of an amendment to the Manual, which makes clear that in these circumstances a provision should not be set up. In the Board's view, if an adjustment for general inflation is introduced the Treasury should review whether provisions should be set up in appropriate cases.

### *B.5 FRS 17: Retirement benefits (2001/02 versions of the Manual, chapters 4 and 15; the Executive NDPB Guidance, section 3.8; the Trading Fund Guidance, section 2.3)*

B.5.1 *FRS 17: Retirement Benefits* was issued in November 2000 and has a staged and lengthy implementation timetable that, as the Board reported last year, the Treasury intends to follow. The Board encouraged the Treasury to make good use of this to allow a smooth transition.

B.5.2 During the year the Board agreed that, for defined contribution schemes, the FRS would apply without further elaboration. The requirements of FRS 17 would also apply to defined benefit schemes, in the following way:

- Employers contributing to a multi employer defined benefit scheme in which the employer's share of the underlying assets and liabilities is not identified will account as if it were a defined contribution scheme (ie following the multi employer provisions as set out in FRS 17).
- Employers contributing to a defined benefit scheme that has a separate parliamentary Supply Estimate and for which the liability for any deficit is therefore recognised and provided for by Parliament separately from the employing department's operational funding, will also account for it under FRS 17 as if it were a defined contribution scheme.

B.5.3 In either case scheme liabilities (and any assets) will be recognised in separately published scheme financial statements, which (subject to the departures set out in paragraph B.5.4) will follow all the measurement, recognition, and disclosure requirements of FRS 17.

B.5.4 The Board has, however, accepted two departures from FRS 17:

- The discount rate to be used for public sector pension schemes will be an assumed long-term real rate of return expected to be earned on a portfolio of long-dated index-linked gilts, determined by the Government Actuaries Department and subject to periodic review. The Board considered this departure from GAAP (the FRS requires the use of the AA corporate bond rate) in favour of a more prudent and onerous approach appropriate— primarily because of the more limited ability compared to private sector schemes of central government to reduce their liability in respect of public sector schemes.
- The frequency of full actuarial valuations of schemes will be every four years, with biennial updates. This departure from GAAP (the FRS requires full valuations to be conducted every three years) was permitted to fit better with the spending review process. Where there is a statutory requirement for valuations every third year, this will continue.

B.5.5 The Board endorsed the closing balance sheet disclosure requirements to appear in the three accounting guides for 2001/02, which are fully in line with the FRS.

B.5.6 The Board looks forward to considering the further guidance on opening and closing balance sheet disclosures for 2002/03 and full implementation for 2003/04.

## *B.6 Heritage assets*

B.6.1 The Board reported last year its reservations concerning the lack of consistency introduced by the requirement of the revised Statement of Reporting Practice for Accounting and Reporting by Charities to capitalise additions to collections when the existing collection remained off-balance sheet. At the Board's request the Chairman of the Board had written to the Chairman of the Accounting Standards Board, proposing a review of this policy in late 2002, once accounts had been produced conforming to the new guidance and the effect could be seen. The Board understands that the topic is on the Accounting Standards Board's Public Sector and Not-For-Profit Committee's agenda towards the end of 2002. The Board awaits the outcome of this review with interest.

## *B.7 Salary and pension disclosures (Manual, section 8.5; the Executive NDPB Guidance, section 11.4; the Trading Fund Guidance, section 10.3)*

B.7.1 In its previous reports the Board stressed its view that the principles of the Greenbury Report, published in July 1995, which contained a proposed Code of Best Practice on the disclosure of directors' remuneration, should apply to resource accounts. The Board is pleased to report that this year one of the shortcomings identified in last year's report, that of the omission of a requirement to disclose benefits in kind, has been rectified.

B.7.2 The Cabinet Office reported that, in order to address the other shortcoming, that an individual has the ability to prevent disclosures by virtue of the Data

Protection Act 1998, Cabinet Office Ministers had been invited to agree that, following consultation with their colleagues, these disclosures should be made a statutory requirement. However, this would be dependant on the Government finding a suitable opportunity within its heavy legislative programme. The Board is disappointed that there is likely to be a delay in the resolution of this issue.

B.7.3 During this reporting period the Board agreed that information in respect of ministerial pensions ought to be disclosed by way of note in their departments' resource accounts, even where the expenditure is borne centrally. The Cabinet Office advised that ministers were to be consulted about this. The Board is keen for this to be implemented quickly.

#### *B.8 Success of the Manual, Executive NDPB Annual Report and Accounts Guidance, and Trading Fund Accounts Guidance in practice*

B.8.1 Last year the Board reported that the Treasury was continuing its policy of refining the Manual by seeking feedback, from accounts preparers and auditors in the operation of the 1999/2000 version. During the latter part of the reporting period the Treasury also conducted a post mortem of the 2000/01 versions of the Manual, as well as the Executive NDPB Annual Report and Accounts Guidance and the Trading Fund Accounts Guidance (following the extension of the Board's remit to include them). The Board is pleased to note that the results of these post mortems paint a good picture, with few issues raised that would require substantive amendments. Nevertheless, the Board is keen that the Treasury should continue with these annual reviews.

#### *B.9 Private finance initiative*

B.9.1 The Board reported previously that it wished to monitor the effect of the Treasury's revised technical note *How to account for PFI Transactions* issued following the publication by the Accounting Standards Board of its Amendment to FRS 5 - *Private Finance Initiative and Similar Contracts (September 1998)*. The Board was particularly interested in the effect of retrospective application, as required by this technical note. During the year the Treasury provided further monitoring information. Overall the Board considered that progress had been made on putting together the full picture on the application of retrospection and requested that the reporting exercise be repeated in November 2002, (unless in the meantime there was significant additional information to report). The Board acknowledges the constraints in assembling this information, but it would seem that sufficient time has now elapsed for the final position to be clear. The Board therefore remains particularly interested in seeing the final results of the retrospection exercise.

B.9.2 The Board would also wish to maintain some form of monitoring over the application in practice of the revised technical note. In particular such monitoring should include consideration of whether the accounting treatment being adopted by private sector providers is consistent with that adopted by the public sector in individual cases.

*B.10 Statement on the system of internal control (Manual, annex 6; the Executive NDPB Guidance, annex D; the Trading Fund Guidance, annex B)*

B.10.1 The Board noted last year its interest in the implementation of the recommendations of the Turnbull Committee on corporate governance. These recommendations require entities to review the overall system of internal control (rather than only internal financial control), and to include a statement in their accounts. The Board noted that departments were not being required to include a full Statement until 2003/04 although they are being encouraged to do so earlier. This contrasts with private sector practice, which requires adoption of the full procedures and statements from 2001/02. The Board recognises that the processes for reporting on corporate governance in central government were started later than in the private sector. Nevertheless the Board has urged earlier adoption in central government where possible.

B.10.2 During this year the Board agreed illustrative statements of internal control to be included in the accounting guides for those bodies able to prepare a full statement for 2001/02 and for those that may need to do further work before all relevant risk management and review processes are fully in place. The Treasury has advised the Board that it plans to undertake an assessment during 2002 of departmental progress in implementing full statements of internal control and will report its findings to the Board.

*B.11 FRS 15: Tangible fixed assets*

B.11.2 Last year the Board reported its concern that the policy of mid-year revaluations of tangible fixed assets, required by the Manual for in year control purposes, might conflict with the requirements of *FRS 15 – Tangible Fixed Assets*. Following further consultation, the Treasury has put firm proposals to departments that they should fully adopt FRS 15 and determine for themselves how they should control their depreciation and cost of capital charges in-year for budgeting purposes. The Board has approved this approach and awaits the detailed amendments to the three accounting guides for 2002/03 following the departmental consultations.

*B.12 Accounting guidance for executive NDPBs and trading funds*

B.12.1 In its previous report the Board noted that it had reviewed the new Executive NDPBs Annual Report and Accounts Guidance and the Trading Funds Accounts Guidance to ensure that they accord as appropriate with GAAP. The Board noted, however, that there were two unresolved issues from the review, being the inconsistency of the requirements of the Manual compared with the other two accounting guides on mid-year revaluation of fixed assets (section B.11) and - with regard to the trading fund guidance - the application of cost of capital charges to different types of assets and liabilities. As well as the review of mid-year revaluations (reported in section B.11) consultations on the trading funds issue are currently taking place. The Board expect that both matters will be resolved in the next reporting period.

*B.13 Intangible fixed assets (Manual, section 3.10; Executive NDPB Guidance, section 8.14; Trading Fund Guidance, section 7.7)*

B.13.1 The Board endorsed amendments to the three accounting guides to eliminate the choice of alternative accounting treatments for intangible fixed assets in order to promote consistency in the preparation of central government and whole of government accounts. The amendments require, rather than permit:

- revaluation for those intangible assets that have a readily ascertainable market value.
- capitalisation of development expenditure if the appropriate criteria are met.

As, in both cases the limitations were reported to give no major problems for users of the accounting guides, the Board agreed them.

## **C. New issues arising from changes to GAAP**

*C.1 FRS 19 - Deferred tax (Manual, annex 3; the Executive NDPB Guidance, section 8.22 and annex C; the Trading Fund Guidance, annex A)*

C.1.1 FRS 19 – *Deferred tax* introduced a form of ‘full provision’ for accounting for deferred tax. This FRS is not relevant to the Manual or the Trading Fund Guidance but is fully applicable in the Executive NDPB Guidance to those Executive NDPBs that are not exempt from corporation tax. The Board approved appropriate entries to the accounting guides.

*C.2 Urgent Issues Task Force Abstracts*

C.2.1 The Treasury proposals on Urgent Issues Task Force (UITF) Abstracts 30 – 33 were little more than to update the Manual and other accounting guidance to take account of the issue of these four abstracts. Details of the individual UITF abstracts are listed in Annex B. The Board agreed to these proposals.

## **D. New issues arising from sources other than GAAP**

*D.1 Analysis of cash balances (Manual, section 3.14 and annex 4)*

D.1.1 The Treasury proposed that, rather than have, as a note to the accounts, an analysis of net cash inflow or outflow as currently required, there should be an analysis of the cash balance itself. Although this analysis is not a GAAP requirement, it reflects circumstances peculiar to the way departmental expenditure is financed (ie the position of cash in relation to parliamentary control in terms of net cash requirements). The Board approved appropriate changes to the Manual.

*D.2 Third party assets (Manual, section 8.9; NDPB Guidance, section 3.12; Trading Fund Guidance, section 2.7)*

D.2.1 The Treasury was asked to consider clarifying the treatment of third party assets (ie those held as trustee or custodian rather than for the benefit of the Exchequer – such as monies collected by the Child Support Agency) in the Resource Accounting Manual 1998/99 Post Mortem exercise (See section B.8 on the Success of the Manual in Practice). The Board endorsed amendments to the three accounting guides, which require the exclusion of third party assets and transactions from the primary statements, but their disclosure in notes to the accounts.

*D.3 Annual Report (Manual, section 11.2, augmented by a Dear Accounting Officer Letter)*

D.3.1 Following its wider review of departmental reporting arrangements, the Treasury suggested that departments should prepare an operating and financial Review as recommended in the Accounting Standards Board's statement of this title. The Board agreed with the Treasury's proposals and in addition recommended that the 'Foreword' in resource account should be retitled the 'Annual Report'. The Manual has been amended accordingly.

*D.4 Consolidated Fund Extra Receipts (Manual, section 6.7)*

D.4.1 Consolidated Fund Extra Receipts are amounts that departments collect for the benefit of the Consolidated Fund. The Board endorsed an amendment to the Manual which clarifies that those Consolidated Fund Extra Receipts which are not accounted for as part of the income of the collecting department and which relate to more than one period, should be disclosed in the Summary of Resource Outturn - schedule 1 of the resource accounts – on an accruals basis rather than when received or receivable. While having no impact on resource accounts other than disclosure, this treatment will be needed to bring deferred income properly to account in whole of government accounts.

*D.5 Consolidated Fund Standing Services (Manual, section 7.1)*

D.5.1 Consolidated Fund Standing Services are expenditures borne directly on the Consolidated Fund rather than approved annually by Parliament. The Treasury proposed including more detailed criteria in the Manual in order to clarify which Consolidated Fund standing services should be included within a department's resource accounts. These revised criteria do not alter the existing departmental boundary. The Board approved the changes.

*D.6 Decommissioning costs (Manual, section 4.4)*

D.6.1 The Board agreed an amended accounting treatment proposed by the Treasury in respect of capitalised decommissioning provisions. Under the revised treatment price uplifts to the provision resulting from revaluations would be debited not to the operating cost statement, but to the capitalised provision (asset), which would not then otherwise be revalued. This approach would alleviate, in part,

distortions in the operating cost statement involving the cost of capital credit, unwinding the discount and the price uplift.

*D.7 Format of accounts and disclosures (Manual, Annex 4)*

D.7.1 There were several issues raised in the 1998/99 Post Mortem of the Manual that resulted in adjustments and additions to the illustrative resource account. The Treasury took the opportunity to do a general overhaul of the Annex to improve and update it. The Board agreed a final version of the 2001/02 illustrative resource accounts.

*D.8 Government reorganisation of departmental responsibilities (Manual, section 8.8, 12.1 and Annex 4)*

D.8.1 The Board agreed refinements to the Manual, proposed by the Treasury, in order to accommodate the impact on parliamentary control and financing of the government reorganisation of departmental responsibilities being implemented during 2001-02.

*D.9 Treatment of asset disposals in Schedule 1 of resource accounts (Manual, section 12.1 augmented by a Dear Accounting Officer letter)*

D.9.1 The issue of guidance on treatment of asset disposals in Schedule 1 was raised in the post mortem of the 1999/2000 version of the Manual. The Treasury proposed that, in line with the treatment in parliamentary Estimates for 2001-02 and 2002-03, where a fixed asset is disposed of its carrying value should be accounted for as a non-operating appropriation in aid. As this was an issue of parliamentary control, rather than one of compliance with GAAP, the Board accepted the proposal, noting that the Treasury intended to review this accounting treatment from 2003-04 in consultation with the National Audit Office.

*D.10 Extension of the Board's remit*

D.10.1 Following the extension of the Board's remit to advising on the accounting requirements of the devolved governments in Scotland and Northern Ireland, and of National Health Service Trusts in England (see F.1.1), the Board examined and agreed as acceptable minor differences between the Manual and the Northern Ireland Resource Accounting Manual, and between the Manual and the Trust Accounting Guidance. Arising from the Board's consideration of the latter comparison the Treasury has agreed to consider whether additional disclosures needed to be included in the Manual.

D.10.2 The Board looks forward to reviewing Scotland's accounting guidance in the next reporting period.

*D.11 Non-cash charges (Manual, section 7.1, to be augmented by a Dear Accounting Officer Letter)*

D.11.1 The Treasury proposed that when interdepartmental transactions are provided at no charge (where this is permitted in *Government Accounting*), and where a

sufficiently robust estimate of the amount is available, they should be included as “non-cash” expenditure in the resource accounts of the client department. The Board approved amendments that clarified the recognition of non-cash charges, but was concerned that the corresponding definition of ‘non-cash income’ would be open to misinterpretation. The Treasury agreed to consider this further.

#### *D.12 International developments*

D.12.1 The Board continues to monitor international developments, including:

- Establishment of the new International Accounting Standards Board and its likely impact on accounting around the world. In particular the mandatory adoption of international accounting standards by listed companies in their consolidated accounts throughout Europe in 2005 will have a consequential impact across the whole of UK GAAP.
- The impact of International Public Sector Accounting Standards issued by the International Federation of Accountants’ Public Sector Committee and
- The collapse of Enron, underlying the need for strong corporate governance and accounting practices.

## **E Whole of government accounts**

### *E.1 Introduction*

E.1.1 The issues arising out of the development of whole of government accounts and central government accounts are driving much of the Board’s agenda. Some of these issues, which also touch on departmental accounts, have been reported in earlier sections of this report – the departmental boundary, Consolidated Fund extra receipts and intangible fixed assets. In addition, the following issues which are specific to whole of government accounts and central government accounts were brought before the Board.

### *E.2 Proforma financial statements*

E.2.1 In its previous report the Board noted that the Treasury had prepared proforma financial statements for whole of government accounts that largely conformed to GAAP. However, the Board raised some issues relating to the way that expenditure is to be analysed, and statements on remuneration, corporate governance and related party transactions. The Treasury agreed to undertake further work and this year brought its revised proposals to the Board on the way that expenditure is to be analysed, and statements on remuneration and related party transactions. The proposals were consistent with GAAP and were agreed by the Board. The Treasury has advised the Board that development of a statement of internal control for central government accounts will take account of a planned assessment of departmental progress in implementing statements of internal control. The Board awaits the Treasury’s proposals on this and the linked issue of who should sign the whole of government accounts.

### *E.3 Accounting for social security benefit expenditure*

E.3.1 Last year the Board reported it had given an initial consideration to the accounting treatment of social security benefit expenditure. During this report period the Board reviewed in greater detail two classes of benefit expenditure: non-pension benefits, and the basic state pension.

E.3.2 The Board accepted the Treasury view that non-pension benefits should be accounted for in the year in which amounts fall due to be paid following proper approval of a claim. It agreed that it would be inappropriate to recognise any longer term liability for such expenditure because they were analogous to executory contracts in *FRS 12: Pensions, Contingent Liabilities and Contingent Assets*.

E.3.3 Determining the correct accounting treatment for the basic state pension is more complex, and the Board concluded that there appears to be no clear cut case under UK GAAP for making a provision. Other countries have found similar difficulties and the International Federation of Accountants' Public Sector Committee has set up a Steering Committee to develop an International Public Sector Accounting Standard on 'social policy obligations'. The Treasury is represented on that Committee and will invite the Board to comment on the Committee's proposals as they develop. The Board agreed that a decision on the accounting treatment of the basic state pension should be reached in time for the first set of published central government accounts. In the interim, the Board agreed that the working assumption should be that expenditure on the basic state pension should be recognised in the year in which the amounts fall due.

E.3.4 The Board looks forward to this involvement with the International Federation of Accountants' Public Sector Committee's work and to considering the Treasury's proposals concerning the State Earnings Related Pension Scheme in the coming report period.

### *E.4 Increasing the compatibility of resource accounts and national accounts balance sheet data.*

E.4.1 In its previous reports the Board commented that it had accepted the principle that account disclosures should be expanded to provide audited data suitable for direct use in the national accounts (published by the Office for National Statistics), but was concerned about possible practical difficulties. This year the Board considered Treasury proposals on disclosures, primarily in connection with fixed assets, that would meet both GAAP and European System of Accounts requirements. The Treasury agreed to consider further the disclosures in relation to land. The Board was content with the remaining proposals and looks to finalising this topic during the next reporting period.

### *E.5 Whole of government accounts – initial draft accounts directions for the Exchange Equalisation Account and the Debt Management Account.*

E.5.1 The accounts of the Exchange Equalisation Account and the Debt Management Account were to be prepared on an appropriate GAAP basis for the first time for the 2000/01 financial year. Early in this reporting period the Board was

asked to comment on the basis of accounting to be adopted. The Treasury reported that, as the funds were almost purely financial in nature, the approach taken was akin to the practice adopted in the banking sector and that many of the RAM requirements are not relevant to these accounts. The Board agreed that the draft accounts directions represented an appropriate application of GAAP in this context.

#### *E.6 Central government accounts – accounting reference dates other than 31 March –GAAP departure.*

E.6.1 The Treasury reported that there was a small number of NDPBs and other government entities that had accounting reference dates that were other than 31 March, and proposed that central government accounts would adopt the accounting policy from International Accounting Standard 27 and International Public Sector Accounting Standard 6 which permit the inclusion of the financial statements of bodies with accounting reference dates within three months either side of 31 March, subject to any necessary adjustments to provide a true and fair view where significant events have occurred in the intervening period. The Board agreed to this departure from the normal GAAP restriction in FRS 2 of only including financial statements of bodies with accounting reference dates up to three months before the group year end.

### **F.1 Composition and operation of the Board**

F.1.1 During the year the remit of the Board has been extended to include advising on the financial and reporting standards and principles in respect of accounts for which the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland are responsible for issuing reporting requirements, and for those of the National Health Service Trusts in England. The Board's Terms of Reference have been revised to take account of these changes (See Annex A) and the Board membership has been expanded so that interested parties are adequately represented.

F.1.2 The new members welcomed onto the Board to reflect the extension of the remit are: Dr Peter Collings, Principal Finance Officer, Scottish Executive; Brian Delaney, Head of Accountability and Accounting Services Division, Northern Ireland (Department of Finance and Personnel); Russell Frith, Director of Audit Strategy, Audit Scotland; and Jeff Tomlinson, Head of NHS Accounting, Department of Health, England.

F.1.3 During the year the following existing Board members stood down: Ros Dunn, Head of Devolved Countries and the Regions Team, HM Treasury; Rosamund Sykes, Director of Finance and Central Services, Victoria and Albert Museum; and Caroline Mawhood, Assistant Auditor General, National Audit Office. They are replaced by: Ciaran Martin, Head of Resource Budgeting, HM Treasury; Nigel Reader, Director of Finance, Environment Agency; and Martin Sinclair, Assistant Auditor General, National Audit Office.

F.1.4 During the Board's initial phase, until April 1997, a member of parliament was nominated to attend its meetings as an observer and was able to bring a direct parliamentary perspective to the Board's considerations. The Board continues to feel,

as it has said in its previous reports, that such an input would be useful and welcome. It has therefore asked the Board's secretariat to see again whether a suitable and willing member of parliament can be found to resume such representation.



## **THE BOARD'S OPERATIONS**

### **Introduction**

1. The Financial Reporting Advisory Board was set up in the summer of 1996 against the background of the introduction of resource accounting for government departments. Its purpose was to introduce an independent element into the process of setting financial reporting standards for government, and to help ensure that, as far as possible, departmental resource accounts are governed by generally accepted accounting practice, and that any departures from or modifications to it are fully explained.
2. The Board's initial task was to review the Treasury's Resource Accounting Manual and proposals for subsequent amendments. This is a continuing role.

### **Extension of the Board's remit**

3. The Board's remit has subsequently been extended to advise on accounting guidance in respect of executive non-departmental public bodies and trading funds; accounting policies underlying whole of government accounts; and the financial and reporting standards and principles in respect of accounts for which the Scottish Ministers and the department of Finance and Personnel, Northern Ireland are responsible for issuing reporting requirements, and in respect of the National Health Service Trusts in England.

### **Terms of reference**

4. The Board's terms of reference have been revised to take account of the extension of its remit. They are shown in the appendix to this annex.

### **Parliamentary requirements**

5. The Government Resources Accounts Act 2000 and the Government Resources Accounts Act (Northern Ireland) 2001 place the Board's role on a statutory basis, by requiring the Treasury and the Department of Finance and Personnel, Northern Ireland to consult an advisory group on financial reporting principles and standards applied to resource accounts and whole of government accounts. Both departments have determined that the Board should be that advisory group.
6. Scottish Ministers, with the agreement of the Audit Committee of the Scottish Parliament, have determined that they should be similarly advised on such matters.
7. In accordance with the Acts the Board must prepare a report summarising its activities and dealing with such other matters as the Board considers appropriate. The Treasury and the Department of Finance and

Personnel, Northern Ireland are required to lay the Board's report before the House of Commons and the Northern Ireland Assembly respectively.

8. The Scottish Ministers will lay the report before the Scottish Parliament.

## **Composition**

9. The Board is independent of government and has a wide membership representing a relevant spread of interests. Members are drawn from the private sector, academia, public sector audit bodies, government departments and non-departmental public bodies. During this reporting period the membership comprised as follows:

### **Chairman:**

Elwyn Eilledge, CBE, Director of BG Group plc and former Chairman of BTR plc, Senior Partner of Ernst and Young and Member of the Accounting Standards Board.

### **Members:**

Colin Balmer, Finance Director, Ministry of Defence

Mike Barnes, Head of Technical Development, Audit Commission

Dr Peter Collings, Principal Finance Officer, Scottish Executive (from October 2001)

Brian Delaney, Head of Accountability and Accounting Services Division, Northern Ireland (Department of Finance and Personnel) (from October 2001)

Ros Dunn, Head of Devolved Countries and the Regions Team, HM Treasury (Until November 2001)

Russell Frith, Director of Audit Strategy, Audit Scotland (from October 2001)

Heather Jackson, Director of Finance, HM Land Registry

Graham Jenkinson, Director, National Expenditure and Income Division, Office for National Statistics

Ciaran Martin, Head of Resource Budgeting, HM Treasury (from January 2002)

Caroline Mawhood, Assistant Auditor General, National Audit Office (until January 2002)

Professor David Mayston, Professor of Public Sector Economics, Finance and Accountancy, University of York

Nigel Reader, Director of Finance, Environment Agency (from January 2002)

Martin Sinclair, Assistant Auditor General, National Audit Office (from March 2002)

Rosamund Sykes, Director of Finance and Central Services, Victoria and Albert Museum (until October 2001)

Jeff Tomlinson, Head of Accounting, Department of Health, England (from January 2002)

Ken Wild, Partner, Deloitte & Touche, Member of the Accounting Standards Board and (until December 2001) Chairman of its Public Sector and Not for Profit Committee

The Treasury provided a secretariat headed by Chris Richards with support from Sue Gamble. During the period covered by this, the fifth report, Ciaran Martin has substituted for Ros Dunn, Brian Grubb has substituted for Caroline Mawhood, Ian Smith has substituted for Peter Collings, and David Jones and Bruce Mann have substituted for Colin Balmer.

## **Proceedings**

10. During this reporting period the Board has held eight meetings. It has considered a variety of resource accounting issues including matters outstanding from earlier reports, improvements to the Manual and other accounting guides in the light of experience of implementing resource accounting and amendments resulting from new accounting standards (GAAP).

11. Treasury officials who attended the Board meetings for particular agenda items were – Trevor Ashenden, Nick Bailey, Nick Buxton, Steven Cain, Andrew Carpenter, Ian Carruthers, Jenny Carter, Mark Davidson, Tony Davis, David Deaton, Debbie Edwards, David Loweth, Larry Pinkney, Colin Stratton, and David Watkins. Graham Moss from the Cabinet Office and Anne Rylatt from the Department of Health also attended meetings for particular agenda items.

10. The Board proceeded by examining papers on the agenda items, along with related draft amendments to the relevant accounting guidance, and additional written or oral explanations and arguments as appropriate. It raised questions about proposed treatments or drafting as it proceeded and made suggestions for amendment. The Treasury's representatives were either able to agree there and then to such suggestions or undertook to consider them further, for re-submission to the Board. The Board feels that this iterative

process has resulted in more effective and relevant accounting guidance, and considers that it has added significant value through this approach.

## ***The terms of reference of the Financial Reporting Advisory Board***

### **1. Context**

1.1 The primary aims of financial reporting by central government bodies are to demonstrate to the public and their representatives in the UK and Scottish Parliaments and in the Northern Ireland Assembly:

- the financial performance of the bodies;
- their stewardship of public funds and assets; and
- that, where appropriate, public monies and other resources have been used for the purposes intended by the Parliaments or the Assembly;

and to provide the Parliaments and the Assembly with information which is reliable and sufficient as a basis for

- their consideration and approval of the levels of resources and cash voted to services; and
- their examination of performance in carrying out policies, functions, programmes and projects.

1.2 Financial reporting is also intended to underpin the UK Government's planning, monitoring and management of public expenditure.

1.3 The authority to develop financial reporting requirements rests with HM Treasury, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland in respect of accounts meeting the criteria set out in paragraph 2.1.b. below.

1.4 Financial reporting by central government bodies should be based on Generally Accepted Accounting Practice (GAAP) adapted where appropriate to take account of the public sector context. For Resource Accounts in England and Wales and for Whole of Government Accounts (UK) this requirement is set out in sections 5 and 9 of the Government Resources and Accounts Act 2000. A similar requirement is included in sections 9 and 14 of the Government Resources and Accounts Act (Northern Ireland) 2001.

1.5 Under section 24 of the Government Resources and Accounts Act 2000 the Treasury is required to consult an advisory group on financial reporting principles and standards for resource accounts and Whole of Government Accounts. Under section 20 of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel, Northern Ireland is also required to consult with and take account of the recommendations made by this advisory group before issuing directions on resource accounts or determining the form and content of Whole of Government Accounts (Northern Ireland). The Scottish Ministers, with the

agreement of the Audit Committee of the Scottish Parliament, have determined that they should be similarly advised on such matters. The FRAB will be the advisory group, and thus will provide an independent element into the process of setting financial reporting standards for the UK Government, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland.

## **2. Terms of reference**

### **2.1 Responsibilities of the Board:**

- a. The Board will provide independent advice to HM Treasury, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland.
- b. The Board will advise HM Treasury, the Scottish Ministers and the Department of Finance and Personnel on the application of financial reporting standards and principles:
  - i. Where HM Treasury and the Department of Finance and Personnel are responsible for issuing reporting requirements, in respect of:
    - Departmental resource accounts
    - Non-departmental public bodies
    - Trading funds
    - Whole of Government Accounts
    - NHS trusts in England (HM Treasury only)
  - ii. Where the Scottish Ministers are responsible for issuing reporting requirements, in respect of:
    - Accounts falling under sections 19 and 20 of the Public Finance and Accountability (Scotland) Act 2000.
    - accounts of executive non departmental public bodies where the Scottish Ministers have the power of direction
- c. The Board will decide how it reaches its conclusions.
- d. The Board's advice to the Scottish Ministers will be restricted to the technical rules of accounting and to minimum disclosure requirements. It will not extend to the format of accounts or to disclosures beyond the minimum requirements.
- e. The Board's advice to the Department of Finance and Personnel, Northern Ireland will incorporate accounting, formatting and minimum disclosure requirements.
- f. The Board will examine all amendments to the guidance or accounts direction, where instead this is referred to the Board, issued by HM Treasury, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland in respect of the bodies listed in b.

above, with the aim of ensuring the guidance or accounts direction complies with GAAP, and that departures or modifications from it, due to public sector and spending control contexts, are fully explained and justified.

g. The Board will prepare an annual report of its activities, including its views on the changes made during the period to the accounting guidance, or, as appropriate, accounts direction, issued by HM Treasury, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland in respect of bodies listed in b. above, and will send a copy of its report direct to the PAC and Treasury Select Committee of the UK Parliament.

2.2 HM Treasury (in conjunction with the Department of Health in respect of NHS trusts in England), the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland:

a. Will ensure that all relevant matters, including proposed changes to the guidance, or, as appropriate, accounts direction, in respect of accounts meeting the criteria in 2.1.b above are brought to the Board's attention within a reasonable time. In particular, changes to Financial Reporting Standards and other elements of GAAP that affect such guidance or accounts direction will, as far as possible, be brought to attention in sufficient time to enable their implementation, as appropriate, within the same timescale as changes are to be made generally.

b. Will examine all issues raised by the Board within its terms of reference.

c. Will consider all advice received from the Board.

2.3 HM Treasury, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland will formally lay the Board's report before the House of Commons, the Scottish Parliament and the Northern Ireland Assembly respectively.

2.4 HM Treasury will provide the secretariat to the Board.

### **3. Membership**

3.1 The Board will comprise:

- 1 member nominated by the Treasury
- 1 member nominated by the Scottish Ministers
- 1 member nominated by the Department of Finance and Personnel, Northern Ireland
- 1 member nominated by the Comptroller and Auditor General
- 1 member nominated by the Auditor General for Scotland
- 1 member nominated by the Audit Commission

- 3 members nominated by the Principal Finance Officers of UK government departments to represent respectively departments, trading funds, and non departmental public bodies.
- 1 member nominated by the Department of Health
- 1 member nominated by the National Statistician
- 1 member nominated by the Accounting Standards Board
- 1 member, an independent economist, nominated by the Head of the Government Economic Service.

3.2 In addition, an independent Chairman of the Board will be nominated by the Chief Accountancy Adviser to the Treasury, and in respect of future appointments, in agreement with the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland.

3.3 The periods of appointment will be determined by the nominating bodies.

3.4 The Board will meet as required in each year to discuss matters relating to financial reporting as they arise.

## **Other amendments to the Resource Accounting Manual, the Executive NDPBs Annual Report and Accounts Guidance and the Trading Funds Accounts Guidance agreed by the Board.**

### **Incorporated into the 2001/02 version of the Manual and other accounting guidance**

#### **- arising from GAAP changes**

**UITF Abstract 30 – Date of award to employees of shares or rights to shares** (Manual, annex 3; Executive NDPB Guidance, annex C; Trading Fund Guidance, annex A) Notes that the Abstract was not relevant.

#### **- arising from the post mortem on the Manual**

**Review of the description of administration costs** (Manual, sections 7.1-2 and annex 4) Clarifies the definition of administration costs and accommodates the requirements of interim control arrangements for administration costs.

**Professional valuations of property** (Manual, section 3.2) Clarifies that professional valuations of property are to be in accordance with the requirements of FRS 15 – Tangible Fixed Assets – paragraph 48.

#### **- arising from other sources**

**Civil Estate capital charging on historic leaseholds** (Manual, sections 3.4 and 6.4) Explains the cessation of the special treatment of civil estate charges.

**Prior period adjustments** (Manual, section 7.6) Clarifies the treatment of prior period adjustments in Schedule 1 of the accounts to take account of the transition from cash-based to resource-based parliamentary control.

**Donated assets** (Manual, section 3; Executive NDPB Guidance, section 8.4; Trading Fund Guidance, section 7.4) Clarifies the accounting treatment for those assets that do not satisfy the donated asset criteria.

**Cost of capital charge for fixed asset investment of a department in a public sector body outside the resource accounting boundary** (Manual, section 7.4) Clarifies the calculation of the cost of capital charge for these types of investment.

**Adoption of depreciation based on major components of an asset** (Manual, section 3.2) Clarifies the application of the transitional arrangements allowed in FRS 15 – Tangible Fixed Assets.

**Disclosure of discontinued and acquired activities** (Manual, section 12.1) Clarifies that disclosure of discontinued or acquired activities should include an explanation (in accordance with FRS 3 – Reporting Financial Performance – paragraph 15).

**Disclosures in notes to the accounts** (Manual, section 12.1) Clarifies that the disclosures should be sufficient for users of the financial statements to understand the effects of transactions and balances.

**Disclosure of depreciation** (Manual, section 12.1) Clarifies that the depreciation figure disclosed for the year in the fixed asset note of the accounts should equal the sum of the administration cost depreciation and the programme cost depreciation.

**Definition of income and expenditure** (Manual, section 6.1) Refines the definitions of income and expenditure in the RAM.

**Annexes 1 and 2 of the Manual** (Manual, annexes 1 and 2) Updates and simplifies the contents of the annexes (The list of excluded central government funds and accounts and the list of excluded flows of income and expenditure).

**Applicability of the Manual to NHS purchasers in Wales** (Manual, section 1.6) Clarifies that the accounts of NHS commissioning bodies in Wales should be produced in accordance with Guidance issued by the National Assembly of Wales.

**Treatment of pre-funding of early departure costs** (Manual, section 4.6; Executive NDPB Guidance, section 3.8; Trading Fund Guidance, section 2.3) Clarifies the treatment of any excess prefunding of early departure costs.

**Internal trading between requests for resources** (Manual, annex 4) Clarifies the difference in accounting treatment in the resource accounts between Schedule 1 disclosure (gross) and Schedule 2 (net) through the illustrative notes to the accounts.

**Out of date references** (Manual, sections 1.5, 1.6, 1.11, 4.6 and 12.1) Tidies up various sections that had become out of date because of the changes in terminology, completion of individual schemes or just the passing of time.

**Note to the accounts on net operating cost** (Manual, section 12.1) Improves the consistency between the terminology used in the main text of the Manual and the Illustrative Resource Accounts at annex 4.

**Operating cost statement format – consolidated fund extra receipts** (Manual, section 12.1) Improves consistency between the disclosure requirements of Consolidated Fund Extra Receipts for programme costs and administration costs.

**Pension scheme accounting** (Manual, chapter 15) Updates the advice on the preparation of the separate scheme statements because of the changes in terminology, completion of individual schemes or just the passing of time.

**Pension scheme statements** (Manual, annex 7) Updates the whole of the model pension scheme statement, and clarifies the accounting treatment of compensation payments.

**Summary of resource outturn - schedule 1 of the resource accounts** (Manual section 12.1) Expands the description of schedule 1 of the resource accounts - the summary of resource outturn, in particular in relation to the reconciliation from net resource outturn to net cash requirement, in order to assist departments preparing this schedule.

**Valuation of investments** (Manual, section 3.1; Executive NDPB Guidance, section 3.4; Trading Fund Guidance' section 2.2) Applies modified historical cost more consistently in respect of the valuation of investments (other than loans and public dividend capital) where a market value is not readily available.

## **Incorporated into the 2002/03 version of the Manual and other accounting guidance**

### **- arising from GAAP Changes**

**UITF Abstract 31 – Exchange of Businesses or other Non-Monetary Assets for an Interest in a Subsidiary, Joint Venture or Associate** (Manual, annex 3; Executive NDPB Guidance, annex C; Trading Fund Guidance, annex A) Notes that the Abstract applies from 2002/03, although earlier adoption is encouraged subject to accounting requirements relating to mergers and transfers of functions.

**UITF Abstract 32 – Employee Benefit Trusts and other Intermediate Payment Arrangements** (Manual, annex 3; Executive NDPB Guidance, annex C; Trading Fund Guidance, annex A) Notes that the Abstract applies.

**UITF Abstract 33 – Obligations in Capital Instruments** (Manual, annex 3; Executive NDPB Guidance, annex C; Trading Fund Guidance, annex A) Notes that the Abstract is not relevant.

### **- arising from other sources**

**Accounts directions** (Manual, section 11.1; Executive NDPB Guidance, section 3.1; Trading Fund Guidance' section 1.5) Removes the requirement to reproduce the accounts direction as an annex to the accounts.

**Civil Estate capital charging on historic leaseholds** (Manual, sections 3.4 and 6.4) Deletes the explanations of the cessation of the special treatment of civil estate charges.

**Transactions between requests for resources** ((Manual, Annex 4) Illustrates better how these transactions should be dealt with in Schedule 1 and disclosed in Notes 5 and 9 to the accounts.

