

MINUTES OF THE 121st FRAB MEETING HELD ON THURSDAY 19 JUNE 2014 AT HM TREASURY

Present: Kathryn Cearns (Chairman)

Ron Hodges	Jason Dorsett
Larry Honeysett	Ian Carruthers
Andrew Buchanan	Ross Campbell
David Aldous	Andrew Baigent
David Hobbs	Mike Usher
Gawain Evans	Bruce West
Aileen Wright (by phone)	

Secretariat: Philip Trotter (Secretary)

Guests: Cris Farmer, Department of Finance and Personnel Northern Ireland.
Sarah Sheen, CIPFA.

1. Apologies were received from Veronica Poole, Janet Dougharty, Anthony Appleton, Sir Edward Leigh, Kathryn Gillatt, Bob Branson and Fiona Hamill.

Item 1: Matters Arising

2. There were no matters arising.

Item 2: Simplifying and Streamlining Annual Report and Accounts (FRAB (121)02)

3. HM Treasury presented this paper which provided an overview of the detailed design work that has been undertaken to produce a Command Paper and provided detailed information on the content of the draft Command Paper. As discussed at the previous meeting in April, the proposal is for the document to be restructured from the traditional 'front-half' annual report and 'back-half' financial statements into three more integrated reporting requirements, namely:

- Performance;
- Accountability; and
- Financial statements

4. The most significant changes proposed in the draft Command Paper were noted as being:

- (i) in the performance section, entities are to be given greater freedoms to report against their own KPIs rather than mandated performance measures;
- (ii) in the accountability section it is proposed that in future the spirit rather than the letter of Companies Act requirements are followed to

provide a more coherent and tailored set of reporting requirements for central government entities; and

- (iii) in the financial reporting section a change in format of the financial statements to mirror more closely WGA which is based more directly on IFRS.

5. HM Treasury noted that initial feedback had already been received from the Parliamentary Scrutiny Unit and feedback had also been requested from the NAO and other government departments.

6. The next steps in preparing for consultation were noted as:

- (i) To finalise a mock-up of what the new annual report and accounts will look like, as requested by the Parliamentary Scrutiny Unit, with the aim of helping users of the accounts to assess whether the changes will meet their needs; and
- (ii) Receiving approval from Treasury officials and ministers.

7. Pending that approval, HM Treasury is planning to lay the Command Paper by 17 July, with comments requested from Parliament by early October. At the same time, HM Treasury will consult on the 2015-16 FReM over the summer. This will give users an opportunity to comment on proposals and it will allow them to plan continuing incremental improvements in 2014-15.

8. The Chairman thanked HM Treasury for the presentation and asked Members for comments.

9. Jason Dorsett noted that he was broadly supportive of the proposals but had some queries. Firstly in relation to corporate governance was this a separate report and if so where? Secondly on CETV it appears that the proposal is to drop this disclosure. These figures are in the public interest so he would caution against this.

10. The Chairman indicated that a read across table showing what has come across from the Companies Act and in what format would be useful. HM Treasury agreed and noted that this would be provided. The Chairman noted that given these comments CETV disclosures should be up for reconsideration, HM Treasury noted that this would be looked at. Andrew Baigent agreed that there was significant interest in this from Parliament, and that there was a trend for further disclosures in this area. CETV for him was helpful for transparency, and indeed principal users were pushing for more disclosure.

11. The Chairman noted that there may well be requests for increases but more information did not always lead to more transparency. Larry Honeysett noted that the Liaison Committee did mention this specifically and that while there was a need to simplify this should not be at the expense of useful disclosures. Maggie McGhee agreed that this was a key area of interest and that it would also be useful to look at additional disclosures required for 2013-14 where for example there had been significant issues with the single remuneration figure. Gawain Evans indicated that transparency in the accounts does save a significant amount of time in dealing with FOIs.

12. Maggie McGhee noted that the proposals were more radical than anticipated. While the presentational change was welcomed, there was concern at the removal of non-voted from the Statement of Parliamentary Supply. Introducing this will require a

major cultural and behavioural change and it was important not to underestimate the level of investment needed to achieve this. Work would need to be undertaken to address the scope of the audit opinion and clarity as to what was covered by it.

13. Andrew Baigent indicated that changes to the Core tables would be welcome given the significant issues that DH faces, particularly in relation to their size. He cautioned against changed to the SoPS as removal of non-voted could have materiality implications. He also commented that any significant changes could require system changes and timing could be difficult.

14. HM Treasury noted that given the strong initial feedback the old format SoPS would be retained.

15. Ron Hodges indicated his support for the movement of the SoPS. He felt it was a very important statement and it would be good to see encouragement for Departments to discuss the difference between Estimates and outturn and how this has affected non-financial performance.

16. Larry Honeysett indicated that the Liaison Committee reserves comment until it sees full detail. He did note, however, that it was essential for engagement with Members that a mock-up was provided, that there needed to be a clear justification for the deletion and removal of items, that a return to the aligned SoPS format was requested, and that a balance needed to be struck on timing.

17. Andrew Buchanan noted that issues regarding the SoPS had been raised by other members but he had other comments. He indicated that it was unclear whether pension liabilities would continue to be disclosed. He also expressed concern at the examples of the primary statements provided, indicating that these looked very summarised. In relation to the audit report, he noted that the new report from the private sector should be examined.

18. Maggie McGhee noted that the NAO was implementing the new report for some companies and has piloted the long-form report but that in the absence of an audit committee report it seemed one-sided.

19. Bruce West noted that the overall structure looks good but that the difficulty will come once this is in the hands of auditors and preparers. A particular issue will be with regard to the notes and materiality, and in this regard it would be useful to get real numbers in the mock-up so that the difference between old and new formats can be seen.

20. HM Treasury indicated that while this could be done for the financial statements it will not be possible for the performance and accountability section. Instead the mock-up here will be illustrative, drawing on good practice from elsewhere and the red-pen approach. The Chairman noted that in the private sector experimentation has been taken on a trial and error basis to generate gradual improvements. What is needed is to keep trying.

21. Ian Carruthers endorsed the comments on the SoPS made by other Members and provided an update on the work that had been undertaken by CIPFA/LASAAC in this area. CIPFA/LASAAC had consulted on the Treasury simplifying paper and there was a lot of support for the initiative and the red pen approach. CIPFA has been specifically looking at the front-end of Local Authority accounts. Currently the structure is complex and results are presented in a way that is different to the structure of the authority. CIPFA is examining whether results could be reported in

the same way as the entity is structured and managed, with existing statements being retained as regulatory notes. CIPFA was also looking at the explanatory foreword material and what authorities are putting out into the public domain. He also noted that CIPFA was setting up an international pioneer network for integrated reporting in the public sector.

22. Gawain Evans asked rhetorically if integrated reporting would be possible under the new approach and imagined that it would be. The Chairman noted that an important point was that although it could be painful to focus on getting reports in good shape then in later years the process would be much easier and provide greater value.

23. Cris Farmer indicated that Northern Ireland was broadly pleased with the direction of travel but was concerned at the difference between how Westminster Departments report and how Northern Ireland reports. PES guidance is not applicable so the balance between what is in the FReM and what is in PES needs to be considered. Northern Ireland would welcome a closer engagement to ensure this is translatable to their needs.

24. Comments were also tabled that had been received from Veronica Poole and Bob Branson who were unable to attend the meeting. Veronica Poole noted that the Companies Act proposals would lead to a break with the link to corporate reporting and clarity was needed here. She also questioned whether it was right to reduce sustainability disclosures at a time when these were being increased in the private sector. Bob Branson noted that there were benefits in ensuring some comparability across Government for some performance measures and also questioned whether the approach to sustainability reporting was correct. He also indicated that the Environment Agency had seen significant interest in its accounts and that there was a wider user base than Parliament, and looked forward to more detailed proposals for ALBs. Mike Usher also noted that clarity was needed on how these proposals would apply to entities that weren't departments.

25. The Chairman concluded the debate by noting that it was important that those Departments that owned various aspects of reporting policy, in particular the centre, work together in a joined up manner to ensure that this does work.

Item 3: Mid Year Reporting (FRAB (121)03)

26. HM Treasury presented this paper which provided the Board with an overview of feedback on the first year reports from the Liaison Committee and the Parliamentary Scrutiny Unit and an indication of the areas where Treasury will look to change guidance for 2014 Mid Year Reports.

27. The paper indicated that the Chair of the Liaison Committee wrote to the Chief Secretary to the Treasury in early May 2014 noting that the Committee was delighted that this longstanding recommendation had come to fruition and giving an overview of two particular issues arising from the first year's reports were also noted. The first was a need for departments to be as open and balanced in Mid Year reporting as possible, recognising not only successes, but also risks and challenges, changes of plan, spending and delivery challenges and how these are being tackled. The second was a request to review policy related to the disclosure of information on

major projects. This policy restricted departments to providing the status of projects as disclosed in the last annual Major Projects Authority assessment.

28. In addition to the letter from the Chair of the Liaison Committee, the Treasury has also received a Scrutiny Unit report which provided a more detailed assessment of strengths and weaknesses and provided indications of what could be improved in the future. The two main areas for improvement noted match those highlighted by the Chair of the Liaison Committee. They also note that the timing of the reports publication close to the general election will make a “warts and all” presentation difficult.

29. Treasury will look to make improvements for 2014 to ensure more relevant Major Project information is provided and that there will be a greater focus on openness in reporting. It was also noted that a continued requirement to continue to produce the reports will ultimately depend on whether they are used by Parliament and other users.

30. Larry Honeysett noted that the Scrutiny Unit was continuing to engage on these issues, with a seminar being held on 2 July with Departments. They will also continue to ramp up engagement within Parliament by running events as they believed this had been a very useful exercise and there was concern at the suggestion that this would be dropped. He felt that the first year could be built on and that this did not seem like a major burden.

31. Andrew Baigent indicated that DH’s report had been produced internally but they could not get a publication date having missed the initial deadline.

32. Maggie McGhee noted that it would be helpful to see how these reports are intended to relate to end year reports and the simplifying agenda. On the tendency of Departments to report only a rosy picture, this was a feature of year end reports and the NAO had been challenging this. The Chairman noted that the introduction of the fair balanced and understandable requirements had made Boards think again at reporting and that this could assist in the public sector.

33. Ross Campbell indicated that there was a feeling among Departments that this was an exercise without a purpose and that there needed to be evidence that the reports were being used. The Treasury was supportive of mid year reporting but needed to show that there was interest in them. The Chairman noted that it was a virtuous circle, with better reporting generating greater use and vice versa. Larry Honeysett noted that this would be taken on board.

34. Jason Dorsett raised a query regarding fair balanced and understandable and if this was really possible in the public sector context because of all the regulatory reporting requirements and whether it was possible at all because of the complexity of accounting. The Chairman noted that understandable was in the context of the informed user and that while difficult it should be possible.

35. David Aldous made a general observation, indicating that the request for more timely information on major projects seemed to indicate a demand for non-entity financial and non-financial reporting focussed on projects and activities. HM Treasury agreed that this kind of reporting was important and was looking at ways to integrate all reporting to ensure a continuous dialogue with users. Ron Hodges agreed with this direction as entities were working together to deliver services and there was a gap in this area due to a lack of GAAP.

Item 4: EPSAS – verbal update (FRAB (121)04)

36. The FRAB Secretary provided a verbal update on the project including notification that HM Treasury had received a steer from Ministers and an overview of the Eurostat standards taskforce held last week.

37. The Ministerial steer has provided officials with a stronger position from which to move the project in a direction that provides maximum benefit to the UK, including potential changes to the ESA framework where that can be improved by following standards more closely aligned to IPSAS/IFRS.

38. The FRAB Secretary noted that at the last EPSAS taskforce Member States were informed by Eurostat that the Commission Secretariat General had ordered that a full impact assessment be carried out. The target date for a Commission Communication remains October 2014 but clearly timing is now critical to the project.

39. At the meeting, PwC also provided an overview of the work they have been undertaking with Member States of the potential impact of IPSAS implementation and those standards where adaptation or an entirely new standard may be required. An overview of the cost and benefit methodology which will form a significant part of the impact assessment was also given.

40. Ross Campbell indicated that he felt the overall tone of the discussions were more positive, with a focus on detail rather than questioning the overall merit and legality of the project. In his opinion the biggest concern of Member States related to consolidation, particularly where a country had many entities at a local level. The boundary and the potentially onerous nature of consolidation would, therefore, be crucial to the project. There were also concerns raised about valuation.

41. Ian Carruthers agreed that valuation would be difficult, with many Member States wedded to historical cost. This will be a journey that will need to be undertaken, with the first step for some being asset identification and a lack of any valuation. He noted that the timetable that Eurostat have set is bullish and implementation and standard setting issues have been conflated. He also indicated that there were some who are looking for detailed procedures rather than principles, and that with such a disparate group of Member States that there was a need to develop country implementation plans enabling progress through stages at different speeds.

42. The Chairman noted that this was an interesting debate and that on issues like asset valuation to begin the process of implementation then a cash basis of valuation might be easier. The FRAB Secretary asked how countries reported current valuations for ESA purposes in the absence of this data. David Hobbs noted that they say they do but it is not clear how. He indicated that if it does not happen at present it would be useful to align National Accounts and accounting standards. Ian Carruthers indicated that the IPSASB has a process whereby it is required to check National Accounts and other rules when developing standards.

Item 5: Whole of Government Accounts 2012-13 (FRAB (121)05)

43. HM Treasury presented an overview of the Whole of Government Accounts (WGA) 2012-13 which was published on 10 June 2014. The presentation covered four areas, namely:

- (i) the publication itself
- (ii) what 2012-13 WGA was saying
- (iii) efforts being made to remove qualifications; and
- (iv) a general forward look

44. The publication was published six weeks earlier than the prior year WGA thanks to efforts made to ensure faster closing. This was a great achievement particularly given significant issues that had been faced early in the process with the OSCAR system. Although the account was qualified on the same bases as prior year there was a clear recognition that progress on these issues had been made. As in prior year a summary document was also produced to make the account more accessible.

45. The accounts were showing that revenue was slightly up while expenditure had been stable and staff numbers were falling. Government borrowing had increased and pensions liabilities had also increased, mainly due to discount rate changes. Overall WGA and the National Accounts were showing similar trends.

46. At this stage the Chairman asked Members for comment. Larry Honeysett welcomed the summary and asked whether there were proposals to provide a longer time series of data beyond just two or three years and how the Treasury would deal with restatements etc. HM Treasury noted that efforts were being made to provide additional time series information but that it would be difficult given the need to restate. Ross Campbell agreed that this would be useful and that resource would be dedicated to trying to overcome the restatement issues.

47. The Chairman noted that the Board had discussed previously the importance of explaining changes in estimates and indicating which are based on changes to cash flows, what are driven by discount rates, and what are other. Ian Carruthers noted that linking this into the National Accounts presentation was important.

48. Gawain Evans asked about the audience for the accounts and who the documents were sent to. HM Treasury noted that the document was on the website and a number of individuals were sent it directly.

49. Jason Dorsett asked where PFI liabilities could be found. HM Treasury noted that these were included in financial liabilities in the summary document and full detail was provided in the main document.

50. Ron Hodges asked about contingent liabilities, which were seemingly reducing in value in the account. He asked whether other off balance sheet obligations were captured by the accounts. HM Treasury confirmed that they were and were accounted for in accordance with IFRS. The Chairman noted that it was important to recognise that the summary was necessarily a big picture view, and that it was necessary to go to the main accounts for the detail.

51. With respect to the qualifications to the account HM Treasury noted that significant efforts were being made to clear them where possible. On the boundary issue, some are being dealt with either by direct Treasury action, e.g. the consolidation of UKAR or wider changes, e.g. the reclassification of Network Rail by the ONS. There will be a long-standing issue with the temporary public ownership of some banks and further education.

52. On accounting policies the issue of highways infrastructure assets is being dealt with in the medium term by changes in CIPFA/LASAAC requirements. In the short term HM Treasury is examining the use of existing DRC data that is currently provided but it is not yet of sufficient quality. Efforts will continue to secure improvements in quality.

53. There has been a further qualification on 4G revenues on the same basis as the qualification on 3G. The Treasury will undertake further technical work on this issue but over time this will become immaterial.

54. On school assets the qualification relates to an underlying qualification of DfEs accounts on Academy Schools and further assets that are not on Local Authority balance sheets. Improvements in accounting for academies continue to be made by DfE and from 2014-15 the Local Authority qualification should be removed.

55. With respect to intercompany eliminations, errors continue to be reduced and significant progress has been made.

56. David Aldous requested further details on the additional data on highways, in particular what the trend is in terms of quality and completeness. HM Treasury noted that end year DRC balance data has always been provided and this has improved. It is in-year movements where there is a lack of completeness but here to things are improving.

57. On next steps HM Treasury indicated that significant work will be being undertaken on faster closing to ensure a March 2015 publication of the 2013-14 accounts and a Christmas 2015 publication of the 14-15 accounts.

58. Members were supportive of the efforts to publish on a timelier basis, noting that this would greatly improve the usefulness of the account.

Item 6: Conceptual Frameworks Update and Implications for Public Sector Reporting (FRAB (121)06)

59. HM Treasury and Ian Carruthers presented on changes that were being made to the IASB and IPSASB Conceptual Frameworks respectively.

60. HM Treasury noted that the purpose of a Conceptual Framework is to assist in the development or revision of accounting standards. They set out the underlying concepts for the preparation and presentation of financial statements and form the basis for specific recognition and measurement requirements of standards. They also allow standard setters to reach consistent conclusions on a variety of complex financial reporting matters and should also assist other parties when accounting for items not covered by a particular standard.

61. HM Treasury explained that the IASB Conceptual Framework was revised in 2010 to describe the objective of financial reporting and the characteristics of useful financial information. Improvements were wanted by the IASB because:

- some important areas are not covered, e.g. provides very little guidance on measurement, presentation and disclosure.
- some areas deemed out of date and do not reflect current thinking or are otherwise unclear.

62. A discussion paper was released in 2013 with an Exposure Draft expected (Q4 2014) based on feedback to this paper. HM Treasury provided an overview of the areas of focus of the paper: (a) definitions of assets and liabilities; (b) recognition and derecognition of assets and liabilities; (c) measurement; (d) equity; (e) profit or loss and other comprehensive income (OCI); and (f) presentation and disclosure.

63. HM Treasury noted that that IASB position outlined in the discussion paper created no insurmountable barriers to continued use of IFRS in the UK public sector. This was due to the fact that:

- there was an element of 'catching up' with the standards;
- it keeps the door open on differing measurement bases;
- there are no fundamental change to asset and liability definitions; and
- it maintains the current approach to the objective of general purpose financial reporting & qualitative characteristics of financial information.

64. There would be areas to watch to see how they evolved in the Exposure Draft. These were:

- guidance on the approach to selection of measurement base;
- treatment of uncertainty/expectation in asset/liability definitions; and
- guidance supporting liability definition: including the meaning of 'constructive obligation' and the extent to which the conditionality of an entity's future actions is relevant to recognition of a liability.

65. HM Treasury did indicate that the IASB Conceptual Framework does not, however assist in resolving issues of specific importance or that are unique to the public sector.

66. The Chairman noted that this was a good summary and that the IASB do have a lot of work to do on the measurement of equity and liabilities. The ideas around equity statements and creditor disclosures are to be welcomed. The timetable for completion of the project is ambitious though.

67. Ian Carruthers then presented on the IPSASB Conceptual Framework project. The origins of the project and long timescale were explained, in particular that this was not an interpretation of the existing or developing IASB framework. The project has been tackled in four phases with a separate preface noting the key characteristics of the public sector.

68. The key characteristics include the importance of the approved budget, the existence of involuntary transfers and non-exchange transactions, the longevity of the public sector and the nature of public sector programmes, the nature and

purpose of assets, the regulatory role, and the importance of statistical bases of accounting. This is due to be approved in September 2014.

69. Phase 1 of the framework was approved in December 2012 and examined the role of the framework, the objectives and users of financial reporting, the qualitative characteristics and the reporting entity. Phase 2 (elements and recognition), phase 3 (measurement) and phase 4 (presentation) are also all due to be approved in September 2014.

70. The key issues from these phases are (i) the existence of “other economic phenomena” as an overarching term that could lead to the recognition of other resource and other obligations (ii) a net financial position concept that is the aggregate of net assets and other resource and obligations (iii) a measurement section which identifies measurement concepts and evaluates measurement bases against objectives of financial reporting and assess the extent to which information on a particular measurement basis meets the qualitative characteristics.

71. Andrew Buchanan asked about how the IPSASB was taking the timing of their project and the IASB’s into consideration. If the IASB introduced significant changes would IPSASB then look again at their framework?

72. Ian Carruthers noted that the IPSASBs focus once the framework was completed was on tackling public sector specific issues. That said they would not want unnecessary differences so may need to reassess.

73. The Chairman noted that the concept of “other economic phenomenon” could be a slippery slope. Ian Carruthers noted that this was an area of disagreement within the Board and amongst constituents. The issue of non-exchange transactions needs to be addressed and there are also issues regarding the timing of recognition of items connected to financing structures like PFI. It is hoped that the IASB will focus on OCI issues as there are lots of things that don’t fit into its framework.

74. Ron Hodges indicated that he was supportive of the IPSASB conceptual framework work. He noted that he didn’t recognise some of the terms, e.g. with respect to measurement criteria. He asked whether this was done deliberately to be different from the IASB. Ian Carruthers noted that this wasn’t the case expect that fair value was deliberately not chosen and if a term was not used in the same way as the IASB then a different term was deliberately used. The Chairman indicated that it would be useful to have a comparison so Members could see where there was a substantive difference.

Item 7: IFRS 13 Fair Value (FRAB (121)07)

75. HM Treasury presented this paper, which provided the Board with an opportunity to comment on the IFRS 13 Exposure Draft which will be consulted on this summer and an update on plans for implementation and review.

76. The proposals in the Exposure Draft are unchanged from those presented to the Board at the April meeting. The proposals have been reviewed by a working group of representatives from each relevant authority and no objections were raised. The proposals are:

- (i) That the valuation basis used depends first on whether an asset is held for its service potential or not and secondly on whether an asset held for its service potential (or held most recently for its service potential) is in use or surplus;
- (ii) Assets which are held for their service potential and are in use will be valued in accordance with the existing adaptations of IAS 16 to determine a current value of their service potential based on their existing use;
- (iii) The valuation of assets which are held for their service potential and are surplus will depend on whether there are restrictions on the asset's use or disposal. If there are restrictions which would prevent the entity from freely disposing of the asset at the statement of financial position date by accessing the market, then the asset will be valued at current value in existing use in line with the existing adaptations to IAS 16. If there are no restrictions and the entity could access the market then the asset will be held at fair value under IFRS 13; and
- (iv) All assets which are not held for their service potential are deemed to be being held for financial objectives and will be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is or is not being held for sale. References to fair value within IFRS 5 and IAS 40 will not be adapted and IFRS 13 will be applied in full. The existing FReM interpretation which withdraws the option of the cost model within IAS 40 will continue.

77. The paper also highlighted potential issues dealt with in the Exposure Draft including:

- (i) First, there may be ambiguity when an asset is temporarily not in use as to whether it is surplus. In these cases, our view is that if there is a clear plan to bring the asset back into future use as an operational asset then the current value in existing use should be maintained. Otherwise, the asset should be assessed as being surplus and valued under IFRS 13.
- (ii) Second, there will be multi-use buildings which are partly used for their service potential and partly held for financial return. Where this is the case, the existing guidance on multi-purpose properties in IAS 40 will be applied.
- (iii) Finally, on disclosure, the FReM will not include an additional disclosure requirement for fair value to be disclosed for assets held at current value in existing use. This is because we are not clear that it will improve decision making and because the disclosure would be out of line with IAS 16 which does not require fair value to be disclosed when assets are held at depreciated cost.

78. HM Treasury noted that a summary of the likely impact on each sector had been prepared. The impact is limited to surplus assets which are not subject to restrictions on sale. This will have a knock-on effect if these assets are subsequently assessed as meeting the held for sale criteria under IFRS 5.

79. Finally, HM Treasury noted that there was a commitment to reviewing the approach to valuing non-current assets in the future to reflect IPSAS and EPSAS developments and to assess whether the information needs of users are being met.

80. For IPSAS developments HM Treasury noted that an appropriate time for review will be after the IPSAS conceptual framework is completed at the end of 2014. EPSAS developments will similarly be monitored and if they diverge from the IPSAS conceptual framework then we will carry out a separate view at a later point.

81. In relation to the information needs of users, HM Treasury would look into ways of working with users to check that they are receiving valuations that are useful and that they understand.

82. The Chairman noted that an understanding of whether users were finding information presented on asset values useful was essential and that HM Treasury should focus on gaining that feedback. Gawain Evans indicated that clarity was needed on disclosure given that this approach was different to that undertaken in the private sector. The Chairman noted that in the private sector historical cost was most prevalent and that in the past there used to be a requirement in the Directors report for an estimate of market value but this has now been dropped. There were questions over its reliability and usefulness. The danger, however, is that there may be a comprehension gap and it is important to test this with users.

83. Ron Hodges noted that, for assets which were temporarily not in use, the default position appeared to be a switch to fair value unless management could draw up plans for what it wanted to do with the asset. This was helpful as it would encourage the development of specific plans for their future use. He asked whether a flowchart might be provided to aid users. Andrew Buchanan indicated that the derecognition criteria in IAS 39 could assist.

84. David Aldous noted that the table included in the paper was useful and asked for that to be included in the Exposure Draft.

85. Andrew Buchanan noted that his preference was for a wider range of assets to be held at fair value to reflect the opportunity cost but noted that he has been unable to think of a clean boundary to allow this. The position agreed here is a practical solution while the Treasury undertakes outreach with users. He noted that he was still somewhat uncomfortable with the notion that IFRS 13 was not being amended or interpreted in some way as IAS 16 was effectively being carved out of IFRS 13 and this could confuse users but this was more a point of geography.

86. The Chairman noted that this would need careful cross-referencing in the Financial Reporting Manual and noted that Members agreed this was now ready to go out as an Exposure Draft.

Item 8: Financial Reporting Manual 2015-16 draft (FRAB (121)08)

87. HM Treasury introduced this paper which provided the Board with early sight of the proposed scope of amendments to the FReM for 2015-16. The final draft 2015-16 FReM and the illustrative statements will be presented at the November meeting.

88. The main proposed changes for the 2015-16 FReM relate to:

- the adoption of IFRS 13 Fair Value and corresponding changes to IAS 16 and IAS 38 adaptations as discussed in the previous paper; and
- changes to the form and content of the annual report and accounts as a result of the simplifying and streamlining project.

89. HM Treasury noted that efforts were continuing to try to make the FReM easier for preparers to use. This includes changing the approach in the FReM to incorporate Companies Act requirements where they apply to all entities, instead of cross-referring to the Act. HM Treasury has found that preparers can be confused by the annual report requirements in the FReM which refer to chapters of the Companies Act and then provide interpretations in some areas. Preparers often think that by reading the interpretations they are identifying all of the disclosures required. This change in approach will also make the changes from the simplifying project easier for HM Treasury to incorporate into the FReM as it will allow for the tailoring of Companies Act requirements.

90. HM Treasury will support users in implementing the FReM changes by providing training. In February this year a programme of twice-yearly training covering changes to reporting requirements was begun.

91. A due process consultation will take place for 8 weeks over the summer. The consultation document will be circulated to members for review and comment a fortnight before the consultation starts. At the same time a paper will be provided detailing the existing Companies Act requirements in the 2014-15 FReM and whether they will be included in the 2015-16 FReM. Following the consultation, the final version of the FReM and illustrative statements will be presented at the November FRAB meeting.

92. The Chairman noted that the approach and timing sounded correct. Members raised not further comments on this approach.

Item 9: Proposals and Issues for Other Manuals (FRAB (121)09)

93. Sarah Sheen from CIPFA presented an early draft of the Invitation to Comment (ITC) and Exposure Drafts on the Code that were considered at the CIPFA/LASAAC Local Authority Accounting Code Board meeting on 4 June 2014.

94. The Board were updated on the proposed substantive changes to the 2014/15 Code made in producing the Exposure Drafts of the 2015/16 Code. CIPFA/LASAAC anticipates consulting on these changes from mid-July to 10 October 2014. The main areas for change will be:

- IFRS 13 Fair Value Measurement
- Narrow scope amendments to IFRSs
- IFRIC 21 Levies
- Changes to UK GAAP, and
- Other minor and drafting amendments

95. The Chairman asked if CIPFA were going to discuss the issues related to heritage assets and changes to UK GAAP with the FRC. Sarah Sheen noted that they would as they were unsure as to why the relevant provisions had been removed.

96. The Chairman also asked for an update from other Relevant Authorities on their manuals. Andrew Baigent noted that for health the main concern is the timescale for approval of the FReM and whether it will be necessary to do two consultations. There will be a core manual with the various individual sectors dealt with in Annex. Members were requested to comment on whether they wanted to see each Annex.

97. The Chairman noted that it would be sufficient to see an overview of significant differences and exception reporting against the core manual. Andrew Baigent noted that there shouldn't be any. Jason Dorsett noted that the only differences should be due to statutory requirements. The Chairman noted the Board would be content if assurances were provided.

Any Other Business

98. The FRAB Secretary noted that at present a Eurostat EPSAS event was due to be held on 20 and 21 November which clashed with the date of the next meeting. As a number of Members would be expected to be at this event consideration will be given to moving the date of the next meeting.

Date of Next Meeting

99. The next FRAB meeting is currently due to be held on Thursday 20 November 2014 at HM Treasury although as noted this could be moved.