[MINUTES OF THE 117th FRAB MEETING HELD ON FRIDAY 24 MAY AT THE NAO

Present: Kathryn Cearns (Chairman)

David Aldous	Sue Higgins
Andrew Buchanan	Ian Carruthers
Robert Davidson	Gawain Evans
Bob Branson	Veronica Poole
Larry Honeysett	Maggie McGhee
Janet Perry	Karen Sanderson
Mike Usher	Aileen Wright (by phone)
Ron Hodges	Janet Dougharty (by phone)

Secretariat: Philip Trotter (Secretary)
Dennis Lu

Guests: Sarah Sheen
Paul Mason
Michelle Samson

1. Apologies were received from Robert Davidson, Kathryn Gillat, Fiona Hamill, Roger Marshall, and David Hobbs. Guests at the meeting included Paul Mason and Sarah Sheen from CIPFA, and Michelle Samson from the Financial Reporting Council.

Item 1: Matters Arising

2. There was one matter arising from FRAB 116. At the last meeting the Board was informed that the Department of Health & Treasury had agreed to an exemption from FReM requirements for absorption accounting for transfers of function occurring across financial years where the transferor is not in existence on 1 April 2013, so that the net transfers are accounted for through reserves rather than as a gain or loss. Treasury was asked to consider whether this exemption represented a common issue.

3. Treasury noted it does not consider the financial reporting implications of NHS restructuring to be common across the public sector:

- New NHS bodies open with established balances given by statutory instruments/legislation (such as the new Barts NHS Trust), including reserves.
- HMT guidance states that the accounting principles apply insofar as the application does not contravene legislation and other statutory accounting guidance.
- The FReM states that "The underlying objective is to ensure the financial reporting supports the accountability for the transferring function, and to do so in a symmetrical way to ensure there is no transparency gap." (4.2.18).

Based on this Treasury believes that in this instance it is reasonable to account for the transfers through reserves.

4. David Aldous asked if there was a subsequent transfer would this also have an exemption, for example if there was a transfer from DH to a Trust to a CCG. Janet Perry noted that this could be a possibility with assets transferring initially to Prop Co and then on to other entities. The Chairman noted that provided this was all happening as part of the same reorganisation then this would be acceptable.

5. Karen Sanderson noted that as absorption accounting is a new methodology and as it starts to apply some unintended budgeting consequences could be found, such as bodies having windfall gains.

6. Ron Hodges noted that whenever new treatments are created, there is always a problem as to where the margin lies. In this case we need to check that there is no creep in use. Ian Carruthers indicated that the IPSASB is looking at the issue of group reconstructions and where there is a single group then there is sympathy for the UK approach but the situation is different for federal structures.

7. The Chairman concluded that this was an issue the Board would need to keep an eye on and it would be better if there was an explicit approach, rather than case by case exemption if there are recurring problems.

Item 2: Verbal update on Consolidation Standards / Accounting for Schools (FRAB (117)02)

8. The Treasury provided a verbal update on further work that has been undertaken by the Technical Advisory Group (TAG) and the main schools accounting group.

9. The TAG met on 23 April and 20 May to further discuss the technical application of new consolidation standards to wider public sector. On IFRS 10, the TAG concluded that careful interpretation and application guidance was needed but no significant adaptation (other than existing central government department & WGA boundaries which will remain based on ONS classifications) was needed. Particular issues relate to: (i) concept of variable returns (benefits) (ii) economic dependence (iii) rights other than voting rights and (iv) substantive and protective rights.

10. On IFRS 11 whilst the TAG considered it necessary to apply careful judgement on the type of joint arrangement that may exist, notably in identifying what the joint activity is, there was no need to interpret the standard significantly, and there is an opportunity to bring application by central government departments more into line with the full standard.

11. On IFRS 12 the TAG will meet again in early July to consider whether an adaptation to IFRS 12 is required in relation to the definition of Structured Entities for the public sector and the disclosure requirements relating to non-consolidated

Structured Entities, which could potentially increase significantly without added value unless there is adaptation or at least clarification guidance.

12. Following the TAG meeting in early July, the TAG Secretariat expects to circulate an out of meeting paper to FRAB for consideration. The Relevant Authorities will then issue consultation papers over the summer and report back to FRAB in October. Given the timescales, consulting on the application in respect of Voluntary Aided, Voluntary Controlled & Foundation schools separately is expected. Mike Usher asked if the FRAB paper could flag key issues where the views of Member were needed.

13. The main schools accounting working group met on 2 May. Dates for subsequent meetings are being finalised with the agenda focusing on application questions to enable the debate to commence on whether the nature of public sector controls and returns support consolidation into local government accounts. The group will also discuss the options available to government to provide the necessary reporting framework to support financial management and accountability.

14. The Chairman thanked the Treasury for the update and said that if the process of determining the correct treatment for schools was going to take longer then we should continue with more general application. The schools issue should be kept under review and kept separate.

15. Ian Carruthers noted that on schools that a separate consultation maybe required in the autumn, which would allow guidance to be issued at the end of March. The Chairman recognised the frustration and that the schools issue may need to move on a slower track.

16. Janet Dougharty agreed that the schools issue should be separated from the wider consolidation issue, and indicated that there may be timing issues depending on the recommendations, and a timetable had not been firmed up.

Item 3: Revised Companies Act requirements (FRAB (117)03)

17. The Treasury introduced this paper, which examined changes in the legislation that affects aspects of the reporting requirements for companies and what changes to the FReM would be required for reporting entities under its remit to remain compliant. These pending changes related to the Companies Act 2006 and S.I.2008/410, which require the replacement of the currently required business review with a strategic report and changes to the reporting requirements governing Directors' pay. Treasury noted that significant changes are not expected, although as the proposals had not been finalised it will be necessary to update the Board at the next meeting.

18. The Chairman noted that the Board should focus first on narrative reporting and asked Karen Sanderson what her views were given the simplifying accounts project recently launched by the Treasury. Karen Sanderson noted that while this project was at its early stages the aim was to reduce unnecessary length and clutter and get to a position where we can tell the story about the organisations

performance in year. The FRAB will be updated on the proposals coming out of this work at the next meeting.

19. The Chairman drew attention to the fact that the Government had rowed back from some of its initial proposals on Companies Act revisions. The FRC would be looking at reporting and will publish a replacement for the ASBs guidance. Michelle Samson confirmed that the FRC was looking at the placement of regulatory requirements, which could be put at the back to allow the story to remain up front. Karen Sanderson noted that as part of the simplification project the Treasury would explore with Parliament whether the accounts could be used as a sign post for other information and in this regard the Chairman noted the public sector has an opportunity to lead the way.

20. On remuneration the Chairman noted that it was only the reporting element that was of direct relevance. Here there may be a significant difference between public and private sector, so when the final version of the regulations have been provided it would be useful to have more detailed analysis.

21. Ron Hodges noted that we may need to revisit the issue of who is considered to be a Director of public sector entities. Gawain Evans noted that this was a very sensitive issue, for many users of accounts this will be the only part they read. The Chairman noted that it is interesting that under reporting proposals entities will be able to send out a strategic report instead of summary financial statements, and that the only extra piece of information mandated in law is a summary of remuneration. The Board would return to these issues in October.

Item 4: IFRS 13 Fair Value (FRAB (117)04)

22. The Treasury presented this paper which had been prepared jointly with CIPFA. It provided the Board with an overview of further work that has been undertaken since the April meeting to ensure an appropriate application of IFRS 13 to public sector financial reporting.

23. The Treasury reported that since the April meeting Treasury and CIPFA have worked with colleagues throughout the public sector and external experts (principally Andrew Buchanan) to ascertain if the standard can be applied in full to public sector entities, or whether an amendment or interpretation is needed. These discussions have particularly focussed on the extent to which the full application of the standard provides useful information for accountability and decision making purposes in the public sector context.

24. The Working Group concluded that there is the possibility of full application, or application with limited adaptation, provided that the constraints on highest and best use are properly considered. Constraints such as physical possibility, legal permissibility and financial feasibility can be extensive for some public sector assets. These can mean that at the measurement date it is unlikely that it can be determined whether there is a legal basis for market participants to consider alternative/highest and best use of the asset in a given reporting period. Requirements on public sector entities to provide a service in a particular way or restrictions on sale that require

purchasers to continue using the assets to deliver public services may also limit fair value to current use as opposed to highest and best use.

25. The Working Group examined application of the standard to four “categories” of assets: (i) those where fair value measurement directly under IFRS 13 would replicate existing practices (ii) those where fair value measurement would remain unchanged due to constraints faced by public sector entities (iii) those where fair value measurement would produce results that don’t reflect the constraints faced by public sector entities (iv) those where fair value measurement would change because constraints face by public sector entities are very similar to those faced by the private sector.

26. The main conceptual issues lie with categories (ii) and (iii). Work is taking place with entities to determine the extent of constraints to determine whether or not they can be captured by the measurement requirements of the standard. The Working Group is also further considering the case of assets held in very specific geographic locations for the delivery of public services. Initial analysis is that fair value measurement does not appropriately contribute to an understanding of the value of the asset to the entity as the entity does not have the discretion to take advantage of market dynamics to acquire assets in a different location to render the service.

27. The Chairman asked the Board for comments. Gawain Evans indicated that he was worried that the definition of restrictions was too broad, what was to stop entities just saying that a public consultation is needed? What is the dividing line? Veronica Poole noted that it was necessary to look at who the restriction was on as restrictions need to pass between market participants. Restrictions today on assets do not mean that there will be restrictions tomorrow. The Chairman noted that we need to see whether the restriction is on the asset or on the person holding the asset.

28. Ian Carruthers noted that there are many examples where there are a series of hoops a body has to jump through which are externally imposed and take time to meet. Gawain Evans noted that his concern was that we would never get to the stage of revaluation until the decision had already been made. If market value is valuable information then it needs to be recognised so that the information can be used for decision making.

29. Veronica Poole agreed that this was very useful decision making information. The value may not be able to be realised today but this is the same as in the private sector. She noted that there are two discrete issues here, restriction on asset and restriction on entity and intent to sell and ability to sell. Ian Carruthers noted that this was dangerous as the services provide by these assets can just be provided somewhere else and statutory consultations and ministerial approval are different to private sector restrictions. She also noted that it was very important to bear in mind that the standard tells entities how to apply fair value, not when. She could see no difference between private sector organisations that had restriction on assets and public sector entities. The Chairman noted that the problem of when to apply fair value is wider in the public sector.

30. Andrew Buchanan indicated that there may be wider considerations in the public sector, as there is a spectrum of restrictions and there are some that are different from the private sector. For example social housing is required to be provided in a certain geographic area and there are restrictions on rental income. One point to consider was that fair value is used a lot more in the public sector for historical reasons; there might be questions to consider about whether fair value should still be used to the same extent. Ian Carruthers indicated that it was necessary to talk about current value rather than fair value as fair value has a particular meaning. Current value was used extensively in the public sector as there were no historic cost records when assets balance sheets were first created.

31. The Chairman noted that if we believe that there are some classes of asset that should be valued a particular way in the public sector, it is important that we have clarity around whether we are following the standard or adapting it. Once we have clarity we can decide what we are doing with guidance and determine when it is appropriate to assert that restrictions are in place and when we need to update to market value. Veronica Poole noted that this is an exercise the IASB has done and we should look at their literature. The Chairman agreed indicating that it was essential that unnecessary variety was lost and it was clear what valuation methodology was being applied and why. There was a further question about whether we can do all this in year one or whether we get the principles right and then adjust over time. The Treasury noted a consultation draft would be ready for Board Members to look at in late June.

32. Ian Carruthers noted that we need to look for balance. Local authorities have 100s of different assets, and given current funding constraints if we are making a change we need to be very clear on the why and what. We will also need to discuss this with RICS to ensure that valuers won't have problems. The Chairman noted that if change is coming it might be possible to deal with this on a transition basis, e.g. you use a director's valuation where there is no readily available information until a formal valuation is due on asset, but she recognised that auditors will have a view.

33. Karen Sanderson noted that we need to think about what the big picture looks like. When you add all this up what does it say about the public sector? Conceptually what does it mean? Ron Hodges noted that this discussion shows just how difficult this measurement issue is. The one outcome which would be less than ideal is for multiple forms of valuation applying to the same types of assets.

34. Veronica Poole asked if the conceptual papers would deal with liabilities. The Treasury indicated that they were examining complex financial instruments with Departments to see if the private sector issues are replicated in the public sector.

35. Karen Sanderson asked on the asset side what issues have been identified in the private sector that the Treasury should consider. Veronica Poole noted that a major issue is agricultural land. Andrew Buchanan agreed noting that the IASB had looked at this and the issue has gone to IFRIC. The common theme with issues is around highest and best use and whether restrictions travel with the asset or not. Veronica Poole noted that it was important to remember that the fact you won't sell now doesn't mean you couldn't sell. Andrew Buchanan noted that IFRS 13 does look at restrictions that are customary for types of asset.

36. The Chairman drew the discussion to a close, indicating that what needs to be decided is whether we are applying the standard or adapting it. Clarity needs to be achieved over this for the consultation.

Item 5: IFRS 9 – current status of standard development (FRAB (117)05)

37. The Treasury presented a paper, which had been produced with the assistance of the Department of Finance and Personnel Northern Ireland and technical support from Deloitte, updating the Board on the current status of the development of IFRS 9 Financial Instruments. Treasury noted that the standard was being developed in stages but there have been delays to the hedge accounting and impairment stages which mean the effective date may be pushed back from 1 January 2015. An initial overview of potential changes in valuation for certain government financial instruments was presented, with the key issue of the possibility that this will increase volatility.

38. The Chairman noted that the development of the standard was taking much longer than expected, and it was unclear when the standard would be finalised and when endorsement would occur. Nevertheless it was important to keep monitoring the development so that we are prepared when the standard does apply. Members were asked for comments.

39. Andrew Buchanan raised two points of detail with the paper. Firstly he believed that the restrictions on using cost as an approximation to fair value were tighter than suggested and secondly with regard to embedded derivatives he did not believe that IFRS 9 was as restrictive as highlighted in the annex.

40. Karen Sanderson noted that the Treasury will be examining in particular what instruments will be going to move to the fair value through profit and loss category. Michelle Sansom noted that EFRAG had looked into this and she could provide a summary that could be useful.

41. Ian Carruthers indicated that there are some financial instruments in the public sector such a special drawing rights that are unique. IPSASB have currently left these alone but will be undertaking a special project around these instruments once IFRS 9 was complete. Ron Hodges concluded the discussion by noting that the IASB had been working on getting the accounting for financial instruments right for 28 years and there was probably another 28 years to go.

Item 6: IFRS Narrow-Scope Amendments (FRAB (117)07)

42. The Treasury introduced this paper, which provided an analysis of narrow-scope amendments issued by the IASB that have been approved by the European Union or are currently under consideration for adoption.

43. The Treasury noted that from its analysis there were only two areas where further work was considered necessary to examine public sector specific financial reporting impacts. The first is in amendments made to consolidation standards, which will be considered as part of wider work on those standards. The second relates to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.

44. The Chairman asked for clarity on the IAS 32 issue, with the Treasury noting that it had identified a potential issue here related to the Government Banking Service and current off-setting arrangements that requires further examination. Maggie McGhee indicated that the NAO had examined this and believed there was no issue.

Item 7: Verbal update on accounting for tax and spend schemes (FRAB (117)07)

45. The Treasury provided a verbal update on work that has been taking place on accounting for tax and spend schemes, which were first discussed by the FRAB in February 2011in the context of whether the FReM should be amended to enable reporting of these schemes. The Treasury noted that previous concerns raised by Board members in respect of these schemes included (i) defining the scope of schemes to be included (ii) whether under IFRS these were entity transactions of any government reporting entity (iii) whether the “taxation” would meet the definition of revenue under IAS 18 (or IPSAS 23) as there are no cash flows into government (iv) achieving a reliable measurement to the timetable required for audited accounts.

46. The Treasury noted that the broad approach remains unchanged and there is still a commitment to finding an appropriate way of maintaining accountability to Parliament for schemes that result in public spending and taxation whilst maintaining alignment of accounts, budgets and Estimates. This includes (i) dialogue with ONS to determine if they intend to continue to report these schemes as taxation and public spending (ii) if they are, a phased approach to incorporate them in the public spending framework. The default position is to maintain tax and spend in budgets and Estimates with an aim of addressing measurement problems for the Statement of Parliamentary Supply and to draw on IFRS project work (such as Levies Charged by Public Authorities on Entities that Operate in a Specific Market) to bring into the accounts (iii) continue to also consider other ways of achieving control and accountability objectives through alternative reporting arrangements.

47. The Chairman asked if any Members had comments. Ian Carruthers noted that the IPSASB and IASB are aware that this is an issue and that a joint piece of work had been tentatively discussed. It would be good to feed the UK experience into this. Michelle Samson indicated that she believed France had a draft standard covering this issue.

48. Mike Usher asked with the current scheme what is the nature of the balance and where does it sit? The Treasury indicated that at year end OFGEM discloses a

third party amount in its account. The Chairman noted that this was similar to the treatment of clients' monies in solicitor's accounts.

49. Andrew Buchanan noted that this could come back to principal versus agent given that government is not directly party to any transactions but individual entities are acting on its behalf. It would be useful to look at this issue from a revenue recognition and consolidation perspective. Michelle Sansom indicated that she was not sure this was a principal agent issue, energy companies are seeing this as an operating cost through tax.

50. The Chairman noted that scope creep had to be guarded against and that the focus should be on the ONS if their view is out of kilter with other statistical agencies. Karen Sanderson indicated that the Treasury was in discussion with the ONS on this issue. The Chairman stated that if the ONS position did not move then this had to be dealt with, even if the approach was to consider this an exceptional issue.

51. Larry Honeysett indicated that if these fall outside the scope for accounting then the Treasury would need to make clear what other forms of accountability to Parliament are. Maggie McGhee noted that the NAO is looking at potential forms of assurance for the Renewables Obligation Scheme.

52. Ron Hodges noted that there may be an issue for the scheme as a whole. He indicated that assurance is needed that schemes are watertight, and whether there was the potential for a contingent liability?

53. The Chairman drew the discussion to a close, indicating that by the October meeting the Board would need to be presented with options for comment. It was recommended that input was received from the firms given the highly technical nature of this issue.

Item 8: Foundation Trust Annual Reporting Manual 2013-14 (FRAB (117)8)

54. Monitor introduced this paper which presents the draft Foundation Trust Annual Reporting Manual (ARM) for 2013/14. The draft financial chapters of the 2013/14 ARM were presented to the Board at the February meeting and they and divergences from the FReM were approved by the Board at that time. It was noted that there have been further amendments to those Chapters since the meeting related to (i) transfer by absorption (ii) public dividend capital dividends (iii) regulatory changes - protected assets and mandatory income. These all require Board approval.

55. The Annual Reporting guidance for FTs is contained in Chapter 7 of the draft ARM. Major changes include (i) removing detail of the Quality Accounts regulations as this caused significant delay to issuing the ARM (iii) an introduction of a template governance statement and a disclosure added on principals risks to compliance with conditions of the FT licence issued by Monitor (iii) a number of smaller changes

related to UK Corporate Governance Code 2012 and Treasury requirements. The draft ARM is expected to go out for six week consultation in late May. Unless there are any substantive changes it is proposed that the Manual will not be re-presented to the Board, but final approval instead be delegated to two Members.

56. The Chairman asked if Members had any comments. Janet Perry raised the issue of absorption accounting and subsequent transfers under the same overall reorganisation. This would for example be relevant for property services arrangements where assets under construction are being held temporarily before being transferred to the final organisation. This would need to be included in the Manuals.

57. No other comments were raised. The Chairman asked for volunteers to agree the final manual on behalf of the Board and Karen Sanderson and Janet Perry agreed to undertake this task.

Item 9: NHS Manual for Accounts 2013-14 (FRAB (117)09)

58. The Department of Health introduced this paper, which asked the Board to note progress made by the Department of Health in preparing the NHS Manual for Accounts for 2013-14 and to consider and comment on the draft manual. There has been a significant change in approach for the 2013-14 Manual as the Department considers that due to operational changes the DH group Account can only be delivered by a reporting structure that works through sub-consolidations. The Manual therefore now provides Group accounting instructions, and does not contain the detailed, item-by-item consolidation schedule completion guidance that used to be provided. Detailed guidance will be issued to various types of reporting entity and the Department will ensure that these are consistent with and cross-referenced to the Manual.

59. The paper also highlighted the major accounting development for the year - the consolidation of the returns of NHS Charitable Funds - and the only divergence from the FReM – the merger/absorption accounting issue that was noted at the last meeting and discussed under matters arising. It was noted that the revised final Manual will be provided out of meeting in July so that it can be approved at the next meeting of the Board.

60. David Aldous asked if given the consolidation of the returns of charitable funds would comparatives figures be provided? The Department of Health confirmed that comparatives were required, David Aldous noted that if this was the case then it needed to be communicated to the sector. Janet Perry indicated that the Manual would be put on the website and flagged, and the Chairman noted that this would need to be pushed out more widely.

61. The Chairman noted that the new format to the Manual was good, but there was uncertainty as to who was providing the additional guidance and when. David Aldous agreed, noting that it was important to get clarity and to ensure it had

sufficient status and authority. The Department indicated that the intention on Trusts was for the Department to provide the guidance, with NHS England discussing the position but with them likely being responsible for CCGs.

62. The Chairman said that it was important that the Board was able to have certainty over how the financial reporting structure would operate, and that once it had been finalised a further paper on this would be welcome.

Item 10: Code of Practice on Local Authority Accounting – measurement of transport infrastructure assets (FRAB (117)10)

63. CIPFA introduced this paper which provided an update on consultation responses to a proposal to move to a DRC measurement basis for Transport Infrastructure Assets in the 2014/15 Code. CIPFA noted that although there was a small majority of consultation responses in favour of the move, they indicated that there were likely to be substantial difficulties in implementing DRC including (i) the significance of the move and the impact on financial statements (ii) concerns as to the practical aspects of the move (iii) scale of resource input required to move to new measurement requirements (iv) data issues (v) some conceptual issues.

64. In view of this the CIPFA Secretariat has also produced a concepts paper which proposes a coordinated approach to the adoption of the CIPFA Code of Practice on Transport Infrastructure Assets in the (accounting) Code. This concepts paper was provided in annex for discussion by the Board. CIPFA noted that the paper had been considered by CIPFA/LASAAC and CIPFA/LASAAC has requested an update on the costs and benefits of such the potential move on local authorities at its June meeting.

65. Ian Carruthers noted that the challenges were well set out in the “virtuous circle” paper. The key issue was ensuring that the information was actually being used for decision making and wasn’t just for WGA disclosure. Authorities are making progress slowly, but if the information isn’t going to be used then they will not care. A workshop is being held in the autumn with DfT and HMT to raise the profile of the issue, and remind key officials about the background and aims, with a view to generating support for use of asset management plan-based information for expenditure allocation purposes.

66. Karen Sanderson indicated that the WGA advisory group had discussed the issue recently. A major problem is that the individuals who initially started this work have now gone with a subsequent loss of corporate memory. The 2012/13 WGA will use DRC values, with the information being sought from local authorities on an unaudited basis. While not wanting to create an additional burden there is clearly a risk that this information will not be robust.

67. Sue Higgins noted concerns about increasing burdens on local authorities, and asked whether there was guidance to give assistance. Karen Sanderson noted that the CIPFA Code provides guidance, however she was concerned that WGA was

driving this work, rather than efficiencies from good asset management. Sue Higgins stated that the virtuous circle paper was important as it reiterates that this is about good asset management and not WGA.

68. Ian Carruthers indicated that Treasurers need to know that improving the quality of information will bring benefits through resource allocation. Janet Dougharty agreed, noting that in principle while this is sensible there were additional costs incurred in doing this work and the potential benefits were being diluted by budget pressures. She noted that there needs to be a transitional period and local authorities should not be rushed into this.

69. The Chairman stated that there was a difference between saying that this should be introduced in 2014/15, but with a transitional period in which shortcuts were permissible in the short term, with the alternative of having no firm date set. A flexible approach but with set dates and target seemed the preferable approach.

70. Ian Carruthers noted that there was a major reputational issue here for local authorities and CIPFA. It would be a tragedy if the quality of the information provided were to improve but for there to be a massive number of qualifications.

71. Gawain Evans noted that it was important to have a timetable. This was not a “nice to have”, it was needed even if at a large cost. Ian Carruthers indicated that the current approach was acceptable under IFRS. Sarah Sheen noted that the consultation evidence suggested that fewer than one in four local authorities were ready for the change.

72. David Aldous noted that it was necessary to find a way for bodies to see the benefits and he was particularly concerned that the audit process was seen as the way to achieve this. This is an accounting issue and will not be part of an audit until included in the accounts. He did not want to use audit as a lever and was nervous of a half way house of putting in notes before ready for financial statements,

73. Ron Hodges noted that if fair values are useful for decision making then the point about linking accounting data to asset measurement data is correct. Financial reporting isn’t an annual mechanical exercise, but something that can make a real difference to asset management.

74. The Chairman indicated that we were back to the question of whether to use current value or modified historic costs, which data helps to run the business better? Sue Higgins noted that it the data can drive resource allocation then this is the value to the business.

75. The Chairman asked where we should go from here. Karen Sanderson noted, in her view that this would not be possible due to the need to plan resources. Transition is important but there is also a need to refresh the case as to why we are doing this. The Chairman stated that if 2014/15 was not possible then do we note that these milestones need to be delivered by a certain date and that this must happen by 2015/16. This would require some assurance work in the interim and the enforcement of milestones, potentially including some form of ‘dry run’. A decision on date was therefore necessary and a paper setting out the plan was required for the next meeting.

Item 11: Forward work programme (FRAB (117)11)

76. The Secretary introduced the forward work programme and indicated that this is the last time that the work programme would be provided in this format. In future the Secretary will be utilising a spreadsheet based tracker in order to keep Board Members informed of the provisional work programme for the next two years. The Secretary noted that this will be provided to Members monthly so that they can be kept up to date with progress and that this will also give them the opportunity to inform the Secretary of any additions or amendments to existing items.

Any Other Business

77. Karen Sanderson said that the Treasury would be shortly launching a public consultation on simplifying and streamlining central government annual report and accounts, and encouraged members to participate and to make this known through their contacts.

78. The Chairman thanked Janet Perry for her service as this would be the last Board meeting she would attend before starting in a new position in the NHS.

Dates of Next Meeting

79. The next FRAB meeting is due to be held on Thursday 10 October 2013.