



Financial Reporting Advisory Board Paper

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* – Progress update and feedback from the initial impact assessment

Issue:	This paper provides a progress update on the IFRS 9 and IFRS 15 technical working groups and feedback from the initial consultation exercise including early views on the options for transition. The Relevant Authorities ask the Board to note the progress made, to provide any comments on the issues identified in the relevant consultation documents, and resulting feedback received, and to agree next steps.
Impact on guidance:	None proposed at this stage. This will be considered in a later paper to the Board before issuing an Exposure Draft in 2016.
IAS/IFRS adaptation?	None proposed at this stage. This will be considered in a later paper to the Board before issuing an Exposure Draft in 2016.
Impact on WGA?	None at this stage, but decisions on transition and disclosure requirements will affect how IFRS 9 and IFRS 15 are applied in WGA.
IPSAS compliant?	IPSASB have yet to consider IFRS 9. Current IPSAS is based on IAS 18 <i>Revenue</i> .
Interpretation for the public sector context?	Initial views indicate IFRS 9 may require interpretations to be applied for the public sector context (e.g. business model). IFRS 15 may need to be interpreted for the public sector context to further clarify when revenue should be accounted for as tax revenue as opposed to revenue under IFRS 15. However, both will be confirmed in a later paper to the Board before issuing an Exposure Draft in 2016.
Impact on budgetary regime?	IFRS 9 does have an impact on departmental AME budgets. IFRS 15 does not impact the budgetary regime beyond changing the timing of recognition points of certain revenue streams.
Alignment with National Accounts	Initial discussions with the ONS indicate both standards are broadly aligned with the National Accounts treatment.
Impact on Estimates?	IFRS 9 does have an impact on the Estimates' process. IFRS 15 does not impact Estimates beyond changing the timing of recognition points of certain revenue streams.

Recommendation:	The Relevant Authorities ask the Board to note the progress made, to provide any comments on the issues identified in the relevant consultation documents, and resulting feedback received, and to agree next steps.
Timing:	No changes are expected to be made to the FReM until the 2018/19 financial year.

DETAIL

Background

1. The International Accounting Standards Board (IASB) has issued two new International Financial Reporting Standards (IFRS): IFRS 9 Financial Instruments' which replaces 'IAS 39 Financial Instruments: Recognition and Measurement' and 'IFRS 15 Revenue from Contracts with Customers' which replaces 'IAS 18 Revenue'. IFRS 9 is expected to be endorsed by the EU in the first half of 2016 and IFRS 15 is expected to be endorsed in the first quarter of 2016. Both new standards have an effective date of 1st January 2018.

2. IFRS 9 and IFRS 15 are both due for implementation within the public sector in 2018-19; as agreed by the Board at the March 2015 meeting (FRAB 123) when the Relevant Authorities provided the Board with their high level work plan for implementation of the two standards. The work plan included the creation of two cross-government technical working groups, the use of professional accountancy firms to provide technical expertise to the technical working groups and an initial impact assessment undertaken by the Relevant Authorities to scope the landscapes of the various sectors.

3. At the June 2015 meeting (FRAB 124) the Board requested to be kept updated on the progress and issues arising from the work of the technical working groups. The Board also asked, as part of the consultation exercise, for a straw man proposal on transition to be communicated to the public sector to help stakeholders consider practical implications.

4. This paper provides a progress update to the Board on the technical working groups and feedback from the initial consultation exercise, including early views on the options for transition.

Progress update on the technical working groups

5. The membership of both technical working groups is cross-governmental and comprises representatives from the various Relevant authorities, public sector financial institutions, central government, local government, and health sectors (where applicable). Both working groups include technical experts from external professional accountancy firms (BDO and Deloitte) kindly provided by FRAB Board members. Composition of the groups was considered at the first meeting and thereafter representatives from bodies with significant amounts of either financial instrument portfolios or significant revenue streams were invited to attend future meetings.

6. The technical working groups have met monthly over a three month period. The objectives of both groups were aligned and focussed on thinking through unforeseen implications and potential issues, which may have genuine public sector impacts, and to help shape the initial public sector consultations. In addition, the NAO attended the third meeting to provide early views on audit implications. We would like to thank all members of the technical working groups for their contributions in assessing the public sector impacts.

7. The technical working groups reflected on the requirements of the new standards, following training sessions provided by the external accountancy firms, and undertook comparative exercises on existing treatments (of financial instruments and revenue streams) under the new standards. They considered the current FReM interpretations (if applicable) and whether initial views indicate the need for the same or new interpretations/adaptations to the FReM. Other key areas of discussion included options for transition and early discussions on the resulting impacts on budgets and Estimates.

8. This cross-government engagement highlighted a range of issues which the Relevant Authorities determined should be communicated early on to public sector bodies through the preliminary consultation process.

Feedback from the initial impact assessment

9. The Relevant Authorities committed to the Board at the March 2015 meeting to survey their respective departmental and sector landscapes as part of an initial impact assessment to better understand the breadth and depth of the impact of introducing the new standards and to understand implementation barriers. The consultation was aimed at identifying the 'big players' – i.e. those most impacted by the standards - and the extent of their financial instrument portfolios or revenue streams.

10. Each relevant authority approached their own sectors using the most suitable mechanism to them in targeting the required public sector audience. HM Treasury utilised a 'Finance Director letter' from the joint acting Deputy Director of Government Financial Reporting.

11. The HM Treasury consultations on both standards have been included as annexes to this paper to highlight to the Board the key areas of discussion from the technical working groups, the public sector issues identified and the questions posed to departments (**Annex A**):

- a. IFRS 9 Financial Instruments; and
- b. IFRS 15 Revenue from Contracts with Customers.

12. The feedback from all the Relevant Authorities' consultation processes on both IFRS 9 and IFRS 15 have been included below.

IFRS 9 Financial Instruments

Central government

13. HM Treasury received ten responses¹ to the consultation and three of those responses were 'nil returns' – i.e. no significant impact. Those public bodies that did comment mostly held one of two views that either: the new standard will not have a significant impact or that even though some hold significant amounts of financial instruments they are not complex in nature and therefore no insurmountable high level issues have been identified thus far. Most respondents noted that further consultation with their ALBs is required before a fuller impact can be assessed.

14. Feedback received from one body did indicate that the new classification and measurement approach will have a significant impact on their 'available for sale' financial assets. This will likely result in the reclassification to 'fair value through profit or loss' and may therefore significantly increase the volatility in net expenditure as valuation movements which currently pass through reserves will shift to be recognised in net expenditure. Furthermore, their view is that it is arguable whether the 'business model' is always directly applicable in a public sector context as objectives are likely to be linked to the delivery of policy objectives rather than the realisation of cash flows or fair value gains. They noted that 'fair value through profit or loss' may not be the most appropriate classification where there is significant volatility as a result of valuation movements as this may increase the risk of a control total breach.

15. Those respondents that identified that the new impairment methodology will have a significant impact on their bodies also determined that their 'trade and other receivables' and 'staff loans and advances' are likely to be impacted by IFRS 9. Feedback received identified that where bodies are able to utilise the 'simplified approach' (the lifetime expected credit losses from initial recognition) to impairment they would choose to do so. However, HM Treasury notes that feedback indicates that this is only likely to be the case where bodies do not have significant amounts of other financial assets. Where bodies do have substantial amounts, the impairment methodology used for the different classes of financial assets will be applied consistently across the group. Respondents also identified the need to update systems and processes to take account of the new methodology, to reliably estimate loss allowances, which may have a resulting resource impact and will need to be agreed with their auditors in advance of the new standard being introduced.

16. Feedback from those public bodies with financial assets where there is no active market indicated that these are low in value in materiality terms (and propose that these assets are carried at existing IAS 39 amounts as a proxy for fair value when IFRS 9 is introduced) or do not believe the presence or otherwise of an active market is relevant.

17. Most respondents indicated that they do not hold any originated credit-impaired financial assets, however, one department noted that they could potentially hold financial assets that are. This is due to its role in intervening where there is a potential failure and may be due to political, regulatory or reputational reasons and may require the department to provide new or extend existing credit lines. These credits may have a significant material impact on the department.

¹ The following public bodies responded to the HM Treasury consultation: Cabinet Office, DCLG, DCMS, DECC, DEFRA (Environment Agency and Rural Payments Agency), DWP (Health and Safety Executive), HM Treasury, Home Office, MOD, and ONS.

18. Those bodies that responded do not regard any of their Financial Guarantee Contracts as insurance contracts and that at this stage there is no reason to determine that this approach will change under IFRS 9.

19. One respondent suggested the approach with intra-governmental balances is that there should be no impairment. When completing the consolidated debt return requested by the Cabinet Office, intra-governmental balances were not classed as debt and therefore implied zero credit risk. They believed this should be carried forward into accounting under IFRS 9.

20. The IFRS 9 technical working group considered the impact of the standard on budgets and Estimates and initial analysis indicated the effects of the standard will likely impact on non-cash AME due to the introduction of 'day 1 losses' and loss allowances under the new impairment methodology. This view was tested in the consultation and respondents generally do not foresee a significant impact from the implementation of IFRS 9 due to either immaterial amounts of financial instruments or due to the lack of complexity of financial instrument portfolios, however, those with significant portfolios did identify that recognition of losses is expected to be brought forward with a substantial impact in the first year of implementation of IFRS 9 (2018-19) and primarily due to the increased volatility of fair value movements in net expenditure.

21. The existing IAS 39 interpretations in the FReM (see annex C) were considered by the technical working group and the interpretations were all considered to still be valid and are applicable under IFRS 9. Feedback received from the consultation agreed with these initial views as follows:

- a. Financial instruments held on behalf of government generally (i.e. the department is not entitled to any returns nor exposed to the risks) should be accounted for separately from the department's accounts;
- b. 'Golden shares' are generally intended to be protective in nature (i.e. retained for regulatory interest or reserve power) unlike an asset from which the department is entitled to future returns and that disclosures of the 'golden share' should suffice in such a case;
- c. PDC does not meet the definition of an equity instrument under IAS 32 Financial Instruments: Presentation and is utilised in lieu of equity and is effectively a form of financing;
- d. The current interpretation relating to the discounting of future cash flows is still relevant as it prescribes a consistent discount rate to be used across government to discount financial instruments for low or zero-rate loans; and
- e. No new FReM interpretations or adaptations have been identified at this stage.

22. The hedge accounting requirements of IFRS 9 were tested in the consultation and feedback received indicates that this will not have a significant effect on the public sector.

Local government

23. The consultation on the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) included a high level summary of IFRS 9 and sought interested parties' views on the approach to adoption and the application of the standards for local authority circumstances. A significant number of responses were received. A number of the respondents raised the issue cited in the consultation that the introduction of IFRS 9 will see the removal of the Available for Sale classification in the Code and allowed gains and losses to be held in reserves until realised. The respondents were concerned that the default category under IFRS 9 is "fair value through profit or loss" and thus adoption may result in gains and losses through the Comprehensive Income and Expenditure Statement hitting the Surplus or Deficit on the Provision of Services as they arise. There were a range of responses in relation to the anticipated impact of the expected impairment loss model and no specific commentaries were made on transition. CIPFA/LASAAC noted the information at its meeting on 4 November 2015 but due to its very full agenda did not make any formal decisions at the meeting.

Health sector

24. The Department of Health sought the views of key ALBs, including Monitor, NHS England and the NHS Trust Development Authority. The feedback received did not identify significant issues peculiar to the health sector.

25. The Department does not have a complex portfolio of financial instruments. The core Department holds a number of financial assets, comprising share capital, loans and PDC, many of which eliminate on consolidation. NHS bodies hold high values of payables and receivables, but little that is more complex. NHS Property Services and Community Health Partnerships hold service concession liabilities under PFI and LIFT schemes, and further work is needed to assess the impact of IFRS 9 on these. Otherwise, no significant changes in treatment are expected.

26. There is a high level of internal trading within the NHS, and with other parts of government. The credit risk associated with this is low. There may be some credit risk associated with areas of external trading, which may entail some additional effort in assessing expected losses. However, the overall impact of the IFRS 9 impairment model is not expected to be significant. The Department of Health holds significant PDC balances, and agrees that the existing FReM interpretation is still valid.

Northern Ireland

27. Classification and Measurement: For Northern Ireland departments, the new classification and measurement approach should not have a significant impact. One department expressed concern in relation to the treatment of a particular financial asset, but this department currently has derogation from applying IAS 39 due to ongoing issues and this derogation will continue to apply under IFRS 9, until the outstanding issues are resolved. Several Northern Ireland departments hold financial assets for which there is no active market. Whilst these are material to the individual departments concerned, they may not be considered material to the wider public sector. However, it was felt that for the majority of these, there would be no change to how they are currently being measured.

28. Impairment: Whilst most Northern Ireland departments advised that the new impairment model will not have a significant impact on them, two departments raised

issues. Firstly, Northern Ireland Courts and Tribunals Service (NICTS), an agency of the Department of Justice (DOJ), reported that there will be a significant impact on the impairment provision in the NICTS Trust Statement. NICTS currently have a large number of individual debtors in respect of fines and penalties, and the current impairment provision is also significant in value, approximately one third of the total receivables. The current impairment provision is based on historical data and so significant work would need to be done to move to a forward looking model. Secondly, the Department for Regional Development (DRD) have advised that they are unsure about how the estimated credit risk on loans they currently have with NI Water (PC/NDPB) could be reliably calculated. Deliberations are currently ongoing in relation to NI Water, and the outcome of this will determine the future treatment of both the investment and the loans. In the interim, they will need to agree a methodology for impairment under IFRS 9 with the Relevant Authority. Also, one department noted that additional guidance on the application of a probability analysis to estimate expected credit losses may be helpful.

29. In terms of credit risk, some Northern Ireland departments hold financial instruments which are subject to material credit risk. However, this is already considered when current impairment is calculated and so should not cause a significant impact.

30. Regarding 'significant increase', the rebuttable presumption contained within the standard that the credit risk has increased significantly when contractual payments are more than 30 days past due will be a useful test for departments in determining whether financial assets should be transferred between impairment allowance categories. Significant increase in credit risk could also be assessed by reference to indicators of financial distress (e.g. a period of administration, job losses, or asset sales).

31. Northern Ireland departments advised of one ALB, which may have originated credit impaired assets. This ALB issues loans for particular purposes, which are inherently risky and have a high rate of default, and so are likely to be credit impaired at initial recognition. These loans are material to the organisation, but not to the wider public sector.

32. In terms of intra-government balances, the impairment model incorporates a probability analysis in order to estimate expected credit losses. Presumably the probability of default on intra-government balances would be negligible and therefore the implementation of the new standard should not have a material impact in this area.

33. Hedge Accounting: Northern Ireland departments do not use hedge accounting. However, one of our ALBs currently has a subsidiary company which holds an interest rate swap which is material in the context of their consolidated accounts. Since IFRS 9 allows for such hedging arrangements to continue to be accounted for under IAS 39 instead of IFRS 9 (6.1.3), they do not anticipate that this will have a material impact on them.

34. Budgets and Estimates: The majority of Northern Ireland departments felt that there would be no material impact on their budget and Estimate, with only one

department advising that there may be a significant impact from the change in impairment methodology. This is something they will monitor and take forward with the Relevant Authority. It was felt that the challenge in respect of forecasting AME spending would hinge around the application of probability analysis in order to determine impairment allowances. Additional guidance in this area from HM Treasury/Relevant Authorities may be helpful.

35. Existing Interpretations of IAS 39: The existing interpretations of IAS 39, as presented in the consultation paper, should be retained.

36. Implementation Timetable: Northern Ireland departments agree with the proposed implementation timetable and effective date for IFRS 9 in the public sector. This allows time for due consideration and assessment prior to implementation. There are no issues regarding the implementation of both standards at the same time.

IFRS 15 Revenue from contracts with customers

Central government

37. HM Treasury received ten responses² to the consultation and six of those responses were either 'nil returns' or stated there would be no significant impact. The remaining four highlighted differing reasons the impact IFRS 15 would have on their organisation or their Group. Most respondents noted that further consultation with their ALBs is required and/or review of the FReM Exposure Draft for IFRS 15 before a fuller impact can be assessed.

38. Feedback from one respondent indicated the application of IFRS 15 would be difficult as they hold very material long term contracts which involved a number of stages and there was no comparable market to derive prices and allocate revenues. This respondent believed an adaptation to the FReM would be required to set out where a market comparator is not available, bodies will need to come up with alternatives which best reflected the substance of the transaction.

39. One respondent commented on alignment issues between the Charities SORP and IFRS 15 where they had significant number of bodies that applied Charities SORP. They highlighted where under the new SORP income recognition has moved to when receipt is "probable" (as opposed to "virtually certain" under previous SORP), IFRS 15 appears to take a more prudent approach to income recognition.

40. Respondents noted there may be difficulties in applying the transaction price to PFI projects and the timing of revenue recognition of work in progress, however these were not expected to be material to their accounts.

41. Three respondents referred to the need to understand and consider IFRS 15 requirements when contracts are entered into, to remove ambiguity as far as possible in the wording of contracts. One respondent also highlighted there may be teething

² The following public bodies responded to the HM Treasury consultation: Cabinet Office, DCLG, DCMS, DECC, DEFRA (Environment Agency and Rural Payments Agency), DWP (Health and Safety Executive), HM Treasury, Home Office, MOD, and ONS.

problems with the link between revenue recognition and impairment of receivables depending on whether contracts/invoices have to change/be more prescriptive as a result of each standard.

42. The FReM does not provide adaptations or interpretations for IAS 18. The FReM currently provides guidance for revenue (and some associated expenditure) collected by entities on behalf of the Consolidated Fund, whether by statute or convention, and where the entity undertaking the collection is consequently acting as agent rather than as principal.

43. Respondents to the consultation agreed it was logical to retain this guidance due to the nature of the income. Two respondents also commented there may be a need for an interpretation or adaptation relating to the provision of statutory services where there may be different obligations for each customer and whether performance obligations at a customer group level would be permitted where there were significant numbers of customers or where there were no performance obligations associated with the receipt of the revenue.

44. Guidance was requested by respondents on the applicability of IFRS 15 to donations, when control has passed within the public sector and the interaction of IFRS 15 with IFRS 5 *Assets Held for Sale and Discontinued Operations*.

45. Most respondents did not consider there to be a significant impact in Estimates and Budgets from applying the satisfaction of performance obligations' criteria to recognise revenue over time or at a point in time. One respondent did highlight the impact on their statutory charging schemes could be significant and potentially volatile and therefore have an impact on DEL outturn which may be difficult to predict.

Local government

46. The consultation on the Code also provided an overview of IFRS 15. There appeared to be more of a consensus on the implementation of IFRS 15 than on IFRS 9 amongst the respondents. Most respondents concurred with the view of CIPFA/LASAAC that there were no particular application issues. This is with the exclusion of council tax and non-domestic rate income which is outside the scope of the standard. No particular comments were made on transition. Again CIPFA/LASAAC did not make any formal decisions at its 4 November 2015 meeting. The CIPFA Secretariat considers that the consultation performed an important role in awareness raising on the impact of the two standards amongst local authority accounts preparers.

Health sector

47. For the health sector, the contract revenue for intra-group transactions on the main NHS contract is much larger than the group net contract income shown in the Department of Health resource account. The Department and Monitor have sought the views of NHS bodies on IFRS 15 and in line with their responses, we consider that the overall impact on revenue recognition would not be significant. However there are a number of areas that may be affected by the timing of recognition points and application of expected value. Also some external contracts, for example R&D, would need to more clearly specify performance obligations.

48. Several NHS bodies raised concerns about increasing the work on agreement of balances with commissioners, although the processes themselves are well established. The Department's ALBs have not raised any major concerns but further work will need to be done in that area, including looking at issues with setting fees.

Northern Ireland

49. Identifying a contract with a customer: Northern Ireland departments did not have any examples of where consideration is received where there are no performance obligations. NI departments also could not find any impact on fees and charges requirements per MPM as a result of the introduction of IFRS 15.

50. Identifying performance obligations: All contracts and service level agreements within departments clearly identify separate performance obligations and related prices.

51. Identifying the transaction price: There should be no difficulty identifying the transaction price as contracts clearly identify separate performance obligations and corresponding prices. Prices are based on MPMNI where they are set at cost with an additional element to match returns of commercial competitors. Transaction consideration is also agreed in advance.

52. Allocating transaction prices to performance obligations: No, NI departments could not foresee difficulty allocating transaction prices to performance obligations as performance obligation will be a single action i.e. to deliver service/goods agreed per SLA and there is single transaction price for each performance obligation. There will be no difficulty producing auditable evidence to support the transaction price allocation as prices are set per MPMNI as described above and fees charged are based on identifiable costs which are passed on as part of the transaction consideration. Supporting documentation is available for relevant costs.

53. Satisfaction of performance obligations: Step 5 does not significantly alter the revenue profile of NI departments and no significant impact on WGA is foreseen.

54. Disclosures: NI departments hold small number of low value contracts which are satisfied over a period of time. Contracts are commercial in nature and they hold appropriate records to fulfil disclosure requirements. No further comment on disclosure requirements.

55. Budgets and Estimates: IFRS 15 should not result in significant difference to the amounts or timing of amounts recognised as revenue as a result of applying the satisfaction of performance obligations criteria and as such the impact on budgets and estimates is minimal. There is also no significant work in progress.

56. Current guidance within the FReM: NI departments agree that the current guidance within FReM in relation to IFRS 15 appears to be reasonable. The only revenue that NI departments have that is classed as taxes by ONS is VAT which is

not material. NI departments do not believe any other interpretations and/or adaptations are required to be included in the FReM due to IFRS 15.

57. Implementation time table: The implementation timetable should allow organisations enough time to implement IFRS 15. Implementation of both standards will have some impact on resources but implementation timetable is reasonable and achievable.

Transition to IFRS 9 and IFRS 15

58. HM Treasury proposed the two high level transition options of both standards to the technical working groups for debate: retrospective application with full restatement (option 1) or retrospective application with adjustments to opening balances (option 2).

59. Both technical working groups agreed considerations of cost and effort should be regarded in considering the most suitable option for the public sector. Transparency to Parliament was discussed and whether restating would provide any meaningful information. The working groups considered that comparability may be impaired if the restatement option is chosen and that it may be impractical not to utilise hindsight when restating. Therefore, on balance, initial views indicate that the option of retrospective application with adjustment to opening balances (option 2) is preferable to the public sector.

60. Respondents to HM Treasury's, the Health sector and Northern Ireland's consultations were all supportive of the proposed transition approach for both standards provided disclosures are minimised where the impact is not material. All respondents agreed option 2 appears to be the most reasonable and cost effective approach to implementation and will ensure consistency of treatment across government.

61. *The Relevant Authorities would like to ask the Board's views on this conclusion and whether they support the option that has been chosen?*

Disclosure requirements

62. The disclosure requirements of both standards (and consequential impacts on other standards) are substantial and significantly different to the current disclosure requirements of IFRS 7 and IAS 18.

63. The public bodies that participated in the HM Treasury consultation exercise conveyed that materiality of financial instruments and revenue needs to be considered in reducing the potential disclosures to a manageable level and in line with the simplifying and streamlining agenda. They also requested guidance or exemptions which translates the spirit of the disclosure and applies disclosure which is relevant to public sector users rather than for investors or shareholders. This view was also expressed in the Health sector.

64. *The Relevant Authorities would like to ask the Board's views on the consultation responses and where they believe disclosures could be reduced or amended to reflect the public sector impact.*

Whole of government accounts (WGA)

65. Respondents to the HM Treasury consultation identified that for WGA central guidance is likely to be needed to assist in achieving a consistent approach especially with relation to intra-government balances, particularly across sectors, and materiality.

66. One respondent stated that depending on the assessment of credit risk by individual entities, they could have a significant impact on WGA. If there was a zero credit risk agreed, this would be removed or a defined central list of credit risk for every entity then this would be reduced.

Timetable

67. Half the respondents to the HM Treasury consultation stated the implementation of both standards in the same financial year will require significant effort in readiness for the implementation and put pressure on teams. They also highlighted early engagement with and pragmatism by the National Audit Office as one of the key drivers to successful transition.

68. One respondent highlighted the need to consider the timing of the Exposure Drafts and the 2015-16 accounts preparation and audit timetable, to ensure it allowed the public sector sufficient time to consider and comment on the proposed approach.

Next steps

69. The consultation undertaken in October was an initial impact assessment. Feedback from this exercise and comments from the Board will be reflected upon before the Exposure Drafts for both standards are issued in summer 2016, as per the original timetable.

70. The technical working groups and initial consultation has highlighted a potential need for public sector interpretations (or if required adaptations) for IFRS 9 and 15. HM Treasury may reconvene the Technical Working Groups to provide a sounding board for these interpretations prior to inclusion in the Exposure Drafts, and would welcome any guidance from the Board on the following areas which might merit an interpretation for the public sector.

- i) The reference to 'business model' in IFRS 9.
- ii) The application of IFRS 15 to statutory services, revenue raised under statute (charging), revenue raised under contract but classed as a tax for statistical purposes.

71. HM Treasury aims to present initial Exposure Drafts to the Board at the March 2016 meeting for approval before publication.

Recommendation

72. The Relevant Authorities ask the Board to note the progress made, to provide any comments on the issues identified in the relevant consultation documents, and resulting feedback received, and to agree next steps.

HM Treasury
19 November 2015

Annex A – IFRS 9 and 15 consultations
Annex B – FReM IAS 39 interpretations