



## Financial Reporting Advisory Board paper IFRS 16 *Leases* – Update

<b>Issue:</b>	The final IFRS 16 public sector adaptations and interpretations were agreed at the April 2019 Board meeting. Both the ONS decision on the National Accounts treatment of leases and the HM Treasury decision on the budgeting treatment of leases on implementation of IFRS 16 were shared. This paper provides an update on the progress the HM Treasury has made since the April board meeting towards issuing final accounting and budgeting guidance and re-iterates the ONS and budgeting decisions. Otherwise this paper contains no proposals that require a decision from the Board.
<b>Impact on guidance:</b>	None – note the 2019-20 FReM will be updated for the adaptations and interpretations already agreed in relation to IFRS 16.
<b>IAS/IFRS adaptation?</b>	None – no further adaptations proposed.
<b>Impact on WGA?</b>	None – the updates have no impact on WGA. WGA have started preparing for the implementation of IFRS 16 in their 19/20 accounts.
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	No further interpretations proposed.
<b>Impact on budgetary regime and Estimates?</b>	No – although the paper re-iterates the budgeting decision shared at the April board.
<b>Alignment with National Accounts</b>	No – although the paper re-iterates the ONS decision shared at the April board.
<b>Recommendation:</b>	None – although we welcome any feedback the board has on progress made
<b>Timing:</b>	N/A



## DETAIL

### *Update*

1. Final IFRS 16 application guidance has been published, updated for both the final interpretation and adaptation agreed in the April board (on subsequent measurement and nil consideration respectively).
2. The ONS have confirmed the treatment of leases in National Accounts that was shared with the Board at the April meeting – i.e. that for property leases (including land & buildings) the National Accounts treatment of leases will align to IFRS 16, but for non-property leases the National Accounts treatment of leases will align to the IAS 17.
3. The budgeting treatment that will be applied to leases, also discussed in the April meeting, is that budgeting will align in full to the accounting. An adjustment to correct for the non-property lease position in National Accounts will be made centrally, taking IFRS 16 non-property lease budget data and converting this to the IAS 17 position. Departments will not be required to contribute to this adjustment, beyond separating out non-property and property leases in OSCAR budgets (which has always been required in budgets anyway).
4. The necessary protocol is now being followed to ensure this budgeting treatment is approved: Firstly, by obtaining Alignment Review Committee endorsement (made up of departmental, ONS and NAO representatives) and; secondly, by obtaining Liaison Committee endorsement.
5. The Alignment Review Committee agreed unanimously to the HM Treasury proposals, given alignment between budgets and accounts would be maintained. The Chief Secretary to the Treasury written to the Liaison Committee requesting final approval for the budgeting change, from whom we are waiting a response.
6. Subject to Liaison Committee endorsement, final IFRS 16 budgeting guidance will be published. Our expectation is the final guidance will be published by the end of June.
7. HM Treasury is now working with departments to ensure the change to IFRS 16 is properly reflected in budgets, as in accounts, from 2020-21. The ONS and HM Treasury are also working together to prepare for the recognition of the IFRS 16 change in National Accounts.