



Financial Reporting Advisory Board Paper

Minutes of the 136th FRAB meeting and matters arising

Issue:	For information – minutes of the last 136 th meeting held on the 13 th of June 2019 and matters arising.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	N/A
Alignment with National Accounts	N/A
Impact on budgets/estimates?	N/A
Recommendation:	The board has already approved the minutes of the 134 th meeting by email but to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 135th FRAB meeting which were circulated and approved by email after the meeting (Annex A).
2. Matters arising are noted below.

6th September 2019

Matters arising

Paragraph	Issue	Action
12	CIPFA/LASAAC code 2020-21 consultation process the Board will be sent a copy of the 2020-21 code as an out of meeting paper	Open – Code still to be circulated
18	IFRS16 - HMT will provide a paper on the key milestones for departmental implementation of IFRS 16	Closed – FD letter setting out key milestones circulated to department in July.
22	IFRS 17 - The Board asks for an update at the November meeting in the form of a paper that reflects on the outcome of the informal consultation	Added to the November meeting agenda.
32	The Board heard an update on the Relevant Authorities Working Group, which resulted in an invitation being extended to David Aldous to attend the next RAWG meeting to discuss the audit code of practise.	David Aldous is invited to the next RAWG meeting scheduled in September.
36	The Board suggested an additional meeting to approve the draft FReM.	An additional FRAB meeting has been scheduled for the 6 th September
36	The Board requested that HMT prepare an additional out of meeting paper following the first 2 working groups.	Closed. Out of meeting paper circulated in August.
38	The Board agreed that the review of the FRAB terms of reference should be moved to March 2020	Added to March draft agenda.

Financial Reporting Advisory Board Meeting

FRAB 136 13th June 2019

Minutes

Location: HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Time: 13:00 – 5:00pm

Attendees: Lynn Pamment (Chair)

Vicky Rock

Iain King

Gareth Davies

Ian Ratcliffe

Larry Honeysett

Ian Webber

David Aldous

Joseph McLachlan

Bob Richards

Anthony Appleton

Pam Beadman

Gawain Evans

Stuart Stevenson

Gareth Caller

Andrew Buchanan

Fiona Kordiak

Richard Barker

On the phone:

Chris Young, Aileen Wright

Secretariat:

Vikki Lewis

Apologies Received:

Craig Mackinlay, Karl Havers

Agenda:

Item	Presented by	Time	Paper
1. Minutes and matters arising	Chair	13:00	FRAB (136) 01
2. FRAB annual report update	Nicky Maslin	13:10	FRAB (136) 02
3. Whole of Government Accounts Update	Adeola Boateng	13:20	FRAB (136) 03
4. CIPFA/LASAAC Code 2020-21 consultation process	Gareth Davies	13:50	FRAB (136) 04
5. Local Government Update	Gareth Davies	14:10	Verbal update
6. IFRS 16 Implementation plan update	Paper to note (Sarah Geisman)	14:20	FRAB (136) 06
7. IFRS 17 Implementation plan update	Ruth Ward	14:30	FRAB (136) 07
8. Health sector update	Chris Young	14:45	Verbal update
9. EPSAS update	Nicky Maslin	15:15	FRAB (136) 09
10. IPSAS update	Lynn Pamment	15:25	Verbal update
11. Brexit disclosures update	Sarah Geisman	15:40	FRAB (136) 11
12. Relevant Authorities working group update	Vikki Lewis	15:45	FRAB (136) 12
13. Government Financial Reporting Review – next steps update including FReM review	Matthew Rowe & Ruth Ward	15:55	FRAB (136) 13 A & 13 B
14. FRAB forward work programme	Vikki Lewis	16:30	FRAB (136) 14

Introduction

1. The new Chair introduced herself to the Board and proceeded to welcome members.

Agenda Item 1: Approval of minutes

2. The Board approved the previous meeting's minutes and the matters arising. One small clarification was made on the date for the new NAO Code of Practice, which will apply from 2020-21.

Agenda item 2: FRAB annual report update

3. HM Treasury provided an update to the Board on the annual FRAB report. The Board approved the FRAB report publication with a few suggestions, including adding an additional summary on the purpose of FRAB and a fuller explanation of real and nominal discount rates.

4. The Board agreed that the report did not need to be recirculated following these changes, and could go straight to publication. The Board requested that members were notified when it is published.

Agenda item 3 – Whole of Government Accounts Update

5. The Board received an update from HM Treasury that the 2017-18 Whole of Government Accounts (WGA) had now been published.
6. Adeola Boateng from the Whole of Government Accounts Team gave a presentation to the Board covering key highlights from the 2017-18 accounts, a reflection on progress of the WGA overall and next steps.
7. The Board commended the Whole of Government Accounts on its usability and questioned whether the presentation of departmental ARA's could be made to mirror more closely that of WGA.
8. There was then a general discussion around government commitments and when they become contingent liabilities or provisions in the accounts. Climate Change Act (2008) should have WGA implications, for example the recognition of provisions. The WGA team agreed to consider this when going forward.
9. The Board were informed that the PAC hearing is due to take place within the next week. The board questioned if WGA is used to drive change in behaviour through events such as the Balance Sheet Review. The Board was assured by Vicky Rock that WGA is promoted throughout the government finance community and is being increasingly used and respected internationally.
10. The Board thanked HMT for the update and for their hard work in the production of these consolidated accounts, the Chair requested that members read the front half of WGA to enable discussion at the next meeting on potential changes.

Agenda item 4 – CIPFA/LASAAC Code 2020-21 consultation process

11. The Board heard an update on work ongoing on the development of the 2020-21 CIPFA/LASAAC Code. The Board was updated that a vision statement has been agreed and that a discussion paper on Code development and the potential for differential reporting will be published, following feedback from local authority preparers. The Board discussed how this had previously been discussed in central government but that there was a lack of appetite from preparers, and the importance in entities applying proportionality and judgement in reporting.
12. The Board were urged to contribute to a consultation that is due to be launched around the 9th July with the aim to engage technical and non-technical users in various ways. The Board was informed that the 20-21 code consultation will be circulated as an out of meeting paper with an invitation to comment.
13. The Board raised some minor points around the technicalities of implementing the new code, and had discussion on the potential different approaches that could be taken on the more significant standards.

Agenda item 5 – Local Authority Update

14. The Board heard an update from Gareth Davies (CIPFA) on local government issues. Gareth explained that the presentation of the Dedicated Schools Grant note to the accounts presentation was currently being looked at. CIPFA were also preparing guidance on borrowing to invest which should be available soon.
15. The Board was informed that the financial management code consultation has now closed and issuance in September is expected with a phased implementation from 20-21.
16. The Board discussed the McCloud pension case and its effect on all sectors including local government. David Aldous raised the risk of inconsistency between central and local government on whether to recognise in 2018/19 the pension liability, depending on the nature and timing of relevant information to the sectors to support accounts preparers' considerations.

Agenda Item 6 – IFRS 16 Update

17. The Board received an update from HM Treasury that the accounting guidance for IFRS 16 has now been confirmed and that the budgeting guidance is being finalised; the budgeting guidance will align with the accounting guidance. Both the Alignment Review Committee and the Parliamentary Liaison Committee have given approval for the budgeting guidance to be published. The guidance will be published at the beginning of July.
18. The Board was informed that early adopters have been proceeding well with implementation and they are making good progress. The Board was assured that HM Treasury will be setting out a paper of the key milestones for implementation, drawing on the experience of the early adopters, to be published alongside the suite of guidance on IFRS 16.

Agenda item 7 – IFRS 17 Update

19. The secretariat thanked several Board members for their input into the early stage implementation work on IFRS 17 *Insurance contracts*. The Board heard that HM Treasury is following the workplan shared at the November 2019 FRAB meeting and that current work is focused on the scope of the standard, and what counts as an insurance contract.
20. The Board was informed that HM Treasury is aware of an issue with misalignment between ESA 10 and IFRS 17, and will be pursuing this with the ONS. The Board urged HM Treasury to learn lessons from the IFRS 16 implementation.
21. The Board was given notice by HM Treasury that an informal consultation will run over the summer to raise awareness with departments and form a rough idea of the potential impact of the Standard. Board members commented on a draft decision tree that will help departments determine whether an insurance contract exists. They also recommended that the letter to FDs containing this consultation be coordinated with the update on IFRS 16.
22. The Board asked for an update in November, in the form of an issues paper that reflects on the outcome of the informal consultation.

Agenda item 8 – Health Sector Update

23. The Board first heard a reflection on the 2018/19 financial performance of the sector. The Board was notified that the sector was expected to have spent within its Parliamentary control totals, and that health sector has the biggest RDEL across all of government. AME was materially underspent due to differences in the estimates of the clinical negligence provision and provider net deficit was offset by an overall underspend with commissioners. The Annual Report and Account was due to be published before summer recess.
24. The Board then heard about plans moving forward. An NHS long term plan, which sets out the multi-year budget settlement and plan for the NHS would be introduced from 2019/20 with the aim of bringing more consistency and stability. Work is ongoing to reset the mechanisms on funding flows. NHS England and NHS Improvement are examining the way they operate and how they are structured regionally with the aim of bringing the provider and commissioner sectors closer together and considering the split of responsibilities nationally and regionally.
25. The Board was also updated on current policy areas in discussion, including accounting for GP indemnity and the potential moving of property back into local NHS Trusts from a central NHS property entity.

Agenda item 9 – EPSAS Update

26. HM Treasury presented an update on the ongoing work at EPSAS. The aim for EPSAS remained to establish a Framework that aligned the interpretation of financial standards in the public sector across Europe, and no standards have been issued at this stage.

Agenda Item 10 – IPSAS Update

27. The Board heard an update on the recent work of IPSASB. The Chair informed the Board that the next meeting of IPSASB will be taking place in Toronto in the next week. The Board heard that current topics that are being considered are:
- a. Public sector-specific financial instruments – exposure draft before March 2020
 - b. Leases (should IPSAS differ from IASB on lease accounting?) – exposure draft before March 2020
 - c. revenue recognition (IFRS 15 and applicability in the public sector) – exposure draft in September
 - d. non-exchange contracts (grants and transfers) – exposure draft in September
 - e. heritage assets – no exposure draft for another year
 - f. infrastructure assets – no exposure draft for another year

Additional Item – IFRS Interpretations Committee (IFRS IC)

28. Andrew Buchanan provided the Board with an update of the work of the newly named IFRS IC (formerly IFRIC). A meeting took place this week with several issues discussed on IFRS 16. One was determining the incremental borrowing rate and where the lease payment profile is as that of an amortised loan, whether the bullet payment rate or the incremental rate should be used. The Committee also considered the lease term on cancellable leases where fixtures and fittings have been added by the lessee.
29. The Committee also made a tentative decision on the statement of cash flows and the reconciliation of changes in financing, elements of which are likely to impact on the public sector.
30. Andrew also questioned whether there are any entities that have defined benefit schemes in the public sector and highlighted the issue of whether this remains so on exit of the EU if there are still any other risks, future commitments and potential obligations.

Agenda Item 11 – Brexit Disclosure Paper Update

31. HM Treasury updated the Board on the recent PES paper that provides guidance on the disclosures departments should make within the Annual Report and Accounts in relation to Brexit. It was made clear to the Board that the NAO had been consulted on the guidance.

Agenda Item 12 – Relevant Authorities Working Group Update

32. The Board were updated on the recent work undertaken by the Relevant Authority Working Group (RAWG). David Aldous offered to come to the next RAWG in September to talk about the Audit Code of Practice.

Agenda Item 13 – Government Financial Reporting Review – Next Steps update including FReM Review

33. HM Treasury updated the Board on the progress with the next steps arising from the Government Financial Reporting Review. These included thematic reviews of IFRS 9 & 15 and the Statement of Parliamentary Supply, establishing a user/preparer group and bank of best practice examples as well as work ongoing to digitise the map of the financial reporting landscape.
34. The Board stressed the importance of understanding the interaction between the various projects and questioned what the role of FRAB would be. HM Treasury agreed to provide an out of meeting paper that considered these questions as part of an overall project plan, and confirmed that they wanted to be open in their approach and engagement. The Board endorsed the thematic reviews looking at different aspects of reporting.
35. The Board were updated on the 2020/21 FReM review and stressed the importance of the project and the ambitious timetable that was laid out. HM Treasury explained that the focus of Phase 1 of the review was to implement the

recommendations of the GFR Review but they had to balance the timing with the needs of Parliament and preparers.

36. The Board suggested that they should hold an additional meeting in September to enable the draft FREM to be approved by FRAB at the November meeting and requested that HM Treasury prepare an additional out of meeting paper following the first 2 working groups. Several members of FRAB also volunteered to be part of the FREM working groups to ensure FRAB oversight and input into the project.

Agenda Item 14 – FRAB Forward Work Programme

37. The Board received a copy of the draft FRAB forward work programme on which they provided a few minor comments. These included comments on the addition of the GAM to the forward work programme.
38. The Board also discussed moving items from the November meeting as the suggested agenda was very full and agreed the review of the FRAB Terms of Reference to be moved to March 2020.
39. The Board agreed to an additional FRAB meeting being scheduled for September 2019.

Agenda Item 15 – AOB

40. The Chair thanked the Board for their attendance and continued hard work and looked forward to the next meeting. There were no other AOB items.