



Financial Reporting Advisory Board Paper

Minutes of the 141st FRAB meeting and matters arising

Issue:	For information – minutes of the last 141 st meeting held on the 18 th of June 2020 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 141 st meeting by email but to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 141st FRAB meeting which were circulated and approved by email after the meeting (Annex A)
2. Matters arising are noted below:

Matters arising

Paragraph	Issue	Action
2	Slight amendments to the minutes of the April meeting.	Amendments made and published on gov.uk
5	HMT to update The Board on any changes to 2020-21 arrangements	See agenda item 04
7	HMT to update The Board on any changes to the PPP arrangements under IFRS 16	See agenda item 13

10	HMT to issue further guidance on irrecoverable VAT in respect of leases	Guidance issued on OneFinance with a further update to the application guidance planned.
12	HMT to bring a further paper to the Board on the application of discount rates for leases	See agenda item 12
26	Sir Tony Redmond to be invited to attend FRAB to share reflections of the Redmond Review	See agenda item 01
28	HMT to host a FRAB effectiveness review in the Autumn of 2020	Effectiveness review meeting held on 6 th November 2020

Annex A

Financial Reporting Advisory Board Meeting June 2020: Minutes

Location: Virtual

Time: 12:00pm – 04:20pm

Attendees: Lynn Pamment (Chair)

Aileen Wright

Ian Ratcliffe

Andrea Pryde

Ian Webber

Andrew Buchanan

Jenny Carter

Bob Richards

Joseph McLachlan

Jen Nichols (deputising for Chris Young)

Karl Havers

Conrad Hall

Kate Mathers

Fiona Kordiak

Larry Honeysett

Gareth Caller

Pam Beadman

Gawain Evans

Stuart Stevenson

Iain King

Vicky Rock

Sarah Sheen

Mike Newbury

Secretariat:

Vikki Lewis

Apologies:

Craig Mackinlay

Richard Barker

Chris Young

Agenda:

Item	Presented by	Time	Paper
1. Welcome Minutes and matters arising	Chair	12:00	FRAB 141 (01)
2. Update on 2019-20 FReM and 2020-21 reporting cycle	Matt Rowe, HMT	12:10	FRAB 141 (02)
3. IFRS 16 – interactions with PPP arrangements	Sarah Geisman, HMT	12:40	FRAB 141 (03)
4. IFRS 16 – VAT	Ian Webber	13:00	FRAB 141 (04)
5. IFRS 16 – discount rates	Sarah Geisman, HMT	13:20	FRAB 141 (05)
6. IFRS17 – implementation update	Vikki Lewis, HMT	13:40	FRAB 141 (06)
7. DH Group Accounting Manual and health sector update	Jen Nichols & Ian Ratcliffe	14:00	Verbal update
8. CIPFA/LASAAC Code and local authority update	Sarah Sheen, CIPFA	14:20	FRAB 141 (08)
9. IFRIC update	Andrew Buchanan	14:50	Verbal update
10. IFRS amendments and annual improvement cycle	Matt Rowe, HMT	15:10	FRAB 141 (10)
11. WGA update	Adeola Boateng, HMT	15:20	Verbal update
12. Redmond Review – an update	Gareth Caller	15:45	Verbal update
13. FRAB strategic direction and terms of reference	Chair	16:05	FRAB 141 (13) - paper for reference only
14. Forward look	HMT	16:15	FRAB 141 (14)
15. AOB	Chair	16:20	

Agenda Item 1 – Welcome and minutes and matters arising

1. The Chair welcomed members to the meeting and thanked members for attending.
2. The Board discussed the minutes of the last meeting and requested that the minutes were slightly amended to reflect the discussion at the last meeting around auditing standards.
3. The Chair outlined that she had had a productive discussion with CIPFA/LASAAC Chair as a result of the discussions at the last meeting and that this matter is now closed.

Agenda Item 2 – Update on the 2019-20 and 2020-21 FReM

4. The Board received an update from HMT on work ongoing surrounding the 19-20 and 20-21 Government Financial Reporting Manual (FReM). HMT circulated a paper prior to the meeting outlining some potential options for 20-21 reporting and explained how they were going to consult with preparers over the summer.
5. The Board noted the work that had been undertaken already and agreed with the recommendation in the paper to continue with the current 20-21 FReM while continuing to monitor the situation and assess the impact of Covid-19 on entities in 20-21. HMT explained that support is being given to Accounting Officers and agreed to update the Board after the summer via email or an out of meeting paper as appropriate when accounts were finalised.

Agenda Item 3 – IFRS 16 interactions with PPP arrangements

6. HMT presented a paper on the interaction between IFRS 16 and PPPs, particularly with regard to the measurement of liabilities in PPPs.
7. The Board discussed the four options presented, with members supporting the recommended option to maintain existing accounting for on-balance sheet PPPs in the short term, with a longer-term project to explore changes to PPP accounting (Option 4). HMT explained that a further paper would be brought to the Board after the summer.

Agenda Item 4 - VAT accounting under IFRS 16

8. Ian Webber presented a paper on whether there should be a FReM adaptation for IFRS 16 to include irrecoverable VAT in lease payments within the scope of IFRS 16.
9. The Board discussed the paper and noted that the issue was not specific to the public sector and there was an agreed treatment accepted by accountancy firms.
10. HMT suggested it would consider the budgeting treatment and other tools that effect decision making. The Board supported the proposal and did not think that it was appropriate to introduce a FReM adaptation. Board

members were supportive of further application guidance being issued on the VAT issue, which HMT agreed to.

Agenda Item 5 – IFRS 16 discount rates

11. HMT introduced a paper on whether there should be a change to the methodology used to determine the 'lessee's incremental borrowing rate' that is used as a practical expedient to measure lease liabilities and right-of-use assets when the rate implicit in the lease is not readily available and requested the Board's advice.
12. The Board recognised the challenges facing HMT on this issue, in both what the most pragmatic solution for 19-20 is and options for future years. Members acknowledged that there was no obviously simple solution. If an alternative rate is suggested in future, the Board expects it to be a practical expedient that accurately reflects how a contract is being priced. The Board did not feel that there should be a change to the methodology at this time but requested HMT do some further thinking and return to FRAB with another paper on the issue in future.

Agenda Item 6 - Update on IFRS 17

13. The Board received an update on the work ongoing within HMT on IFRS 17 implementation. The Board was informed that a technical working group had been held at the beginning of March and that HMT are aiming to give departments and entities a long lead time to understand how IFRS 17 implementation will affect them. HMT outlined FRAB will continue to be updated on a regular basis on the implementation plan.

Agenda Item 7 – Health sector update

14. DHSC and NHSI colleagues thanked FRAB for its recent engagement on the changes to the Group Accounting Manual and outlined the impact of some of the current issues facing the sector which have been covered by the other agenda items in this meeting.
15. The Board heard that DHSC is extremely busy due to responding to the pandemic and has become a policy and delivery department in one. It was also heard how DHSC has set up a cross-government team to procure PPE, though the impact of Covid-19 on the NHS accounts for 19-20 is not considered material at this time. The Board was informed of the extensive and careful planning and financial management to deliver the response to the pandemic, for example, no NHS trust has run out of medications for patients during this acute period.
16. The Board asked health sector colleagues if there were likely to be more modified audit opinions in 2019-20. Health sector colleagues outlined that most of those issues have now been resolved, however there will still be

material uncertainties for some entities. The Board was informed that guidance has been issued to trusts on how cash flow forecasts are expected to be carried out.

17. The Board thanked health sector colleagues for the update.

Agenda Item 8 – CIPFA/LASAAC Code and Local government update

18. The Board received an update from Conrad Hall and Sarah Sheen on the 19-20 Code and the decision-making process behind the decision not to change the accounting guidance in light of the Covid-19 outbreak.

19. The Board approved the represented 19-20 and 20-21 CIPFA Codes and encouraged CIPFSA/LASAAC to liaise closely with other relevant authorities on issues and align timelines, particularly around IFRS 17.

Agenda Item 9 - IFRIC update

20. Andrew Buchanan verbally updated the Board on recent discussion and decisions by the IFRS Interpretations Committee. The Board was informed of work ongoing around two potential issues with a public sector impact including presenting supply chain finance in context of reverse factoring and the potential accounting impacts of sale and leaseback arrangements where a final decision was expected soon. The Board thanked Andrew for the update.

Agenda Item 10 - IFRS amendments and annual improvement cycle

21. The Board received a paper on IFRS narrow scope amendments from HMT. The Board discussed the wording of the FReM in relation to IFRS 3 and HMT agreed to follow up on this issue after the meeting.

22. The Board approved the paper.

Agenda Item 11 - Verbal update on the WGA

23. The Board received an update on the WGA for 18-19 including in respect of the audit process including work ongoing on Covid-19 and EU Exit. HMT outlined that around a third of local government audits had been delayed and explained that it is aiming to publish WGA in July. The Board was also advised that training materials were also in the process of being updated for the introduction of the new database, Oscar II which is coming in later in the year.

24. The Board thanked WGA for the update and looked forward to hearing from them again soon.

Agenda Item 12 – Redmond Review

25. The Board received a verbal update from Gareth Caller on the ongoing Redmond Review. The Board heard how original plans were to publish the report this month but that in light of Covid-19 the aim is now to publish in

early September. The Board heard how the review will take in a broad consideration of the accounting and auditing framework.

26. Members outlined that it would be grateful for a further update to the Board and would welcome Sir Tony Redmond to attend a future FRAB meeting.

Agenda Item 13 – FRAB strategic direction and Terms of Reference

27. HMT proposed holding a special FRAB meeting in the autumn to undertake a board effectiveness review of the FRAB. The Chair explained that a review was overdue. The Board discussed the potential to review FRAB and its responsibilities, make up and scope. The Board discussed the acceleration of non-financial reporting and the development of European non-financial reporting standards and that codifying FRAB's role in non-financial reporting requirements could be extremely useful.
28. The Chair agreed to work with HMT to investigate the possibility of undertaking an effectiveness review and agreed to hold a meeting in September to discuss this.

Agenda Item 14 – Forward look agenda

29. HMT introduced the forward work plan paper and requested any comments or additions from FRAB. The Board had no comments.

Agenda Item 15 - AOB

30. The Chair and members thanked Andrew Buchanan for his long service and contribution to the FRAB. He has provided expert help, support and challenge during his tenure on the Board and his contribution will be extremely missed. Andrew said that it had been a privilege to have been a member of the Board, which had given him a unique insight into different perspectives and issues faced by the public sector. He thanked members for their support over the last 10 years.
31. The chair thanked members for attending the meeting.