



HM Treasury

## Financial Reporting Advisory Board

### IFRS 17 Update

<b>Issue:</b>	An update on the implementation of IFRS 17- Insurance Contracts in central government.
<b>Impact on guidance:</b>	HM Treasury has developed draft IFRS 17 application guidance. Any interpretations and/or adaptations will be brought into the Government Financial Reporting Manual (FReM).
<b>IAS/IFRS adaptation?</b>	Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to central government conditions.
<b>Impact on WGA?</b>	IFRS 17 will impact on WGA when implemented; the potential impact is being considered with each issue raised.
<b>IPSAS compliant?</b>	There is no equivalent insurance accounting standard in IPSAS.
<b>Interpretation for the public sector context?</b>	Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to public sector conditions.
<b>Impact on budgetary and Estimates regimes?</b>	The budgetary regime will need to recognise insurance contracts and related cashflows.
<b>Alignment with National Accounts</b>	ESA10 does not have an equivalent recognition of government insurance contracts so there will be misalignment; HMT staff are engaging on this issue with the ONS.
<b>Recommendation:</b>	The Board is asked to review the application guidance.
<b>Timing:</b>	IFRS 17 is effective in central government from 2025-26 (as agreed at the March 2022 FRAB meeting).

## **Background**

1. The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts (the Standard), which replaces IFRS 4 Insurance Contracts. IFRS 17 was approved for adoption by the UK Endorsement Board on 16 May 2022<sup>1</sup>.
2. As agreed by FRAB at the March 2022 meeting (FRAB 146), when HM Treasury provided their updated work plan for implementation, the planned timetable for implementation of IFRS 17 in the public sector is the 2025-26 financial year (2 years after the private sector).
3. In line with the timetable, this paper presents the application guidance (AG) of the IFRS 17 application guidance, applicable to those applying the FReM. The AG has been developed in conjunction with the IFRS 17 Technical Working Group (TWG) and has been updated for comments from the TWG.
4. The AG includes some adaptations and interpretations to IFRS 17- some of which have been discussed at previous FRAB meetings- for central government implementation and are listed in the **Executive Summary** section of the AG.
5. **This paper asks for comments on the AG.** The AG can be found in Annex 1.
6. The next steps on the IFRS 17 application guidance are:
  - The AG to be updated for comments from FRAB.
  - Convert the AG into an exposure draft, which will include a series of questions specifically asking for views on the adaptations/interpretations.
  - The exposure draft to be circulated to government departments for comment between December 2022/ January 2023 and February 2023.
  - The AG to be updated again and presented to FRAB in March 2023 for approval to include in the FReM.

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24 November 2022

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<sup>1</sup> [IFRS 17 | UK Endorsement Board \(endorsement-board.uk\)](https://www.endorsement-board.uk)