



HM Treasury

Financial Reporting Advisory Board Paper

IFRS amendments and annual improvement cycle – update

Issue:	Annual IFRS amendments or interpretations have been reviewed by HM Treasury to ensure that any relevant public-sector adaptations or interpretations are adequately reflected in the financial reporting guidance.
Impact on guidance:	The 2023-24 FReM can be updated if adaptations or interpretations are required.
IAS/IFRS adaptation?	No adaptations or interpretations proposed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB make adjustments for the new IFRS amendments and interpretations discussed in this paper. It is likely, however, that IPSAS would align to our proposals.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	Accounting changes may have a knock-on effect on budgets, but these would be minimal and the implementation of the new amendments or interpretations will not cause any new misalignments.
Alignment with National Accounts	The changes will not impact on National Accounts, either as they already follow IFRS or there are separate budgeting treatments already in place to adjust data for National Accounts.
Recommendation:	For the Board to note, in particular that HM Treasury proposes to make no adaptations or interpretations in relation to the new amendments or interpretations.
Timing:	There are no suggested amendments or interpretations to bring into effect in relation to the issues covered in this paper.

DETAIL

Amendments or interpretations issued and effective from 1 January 2023

1. Appendix 1 lists 4 amendments now effective, all to be formally adopted by the UK Endorsement Board (UKEB).
2. The appendix summarises the amendments and interpretations and provides further detail on the likely impact they will have across central government. Their likely impact will be limited, and the Treasury does not believe any public-sector adaptations or interpretations are required to adjust for their implementation.

Amendments or interpretations issued but not yet effective

5. Appendix 2 lists 1 project that was published by the IASB in September 2022. The UKEB has yet to begin its endorsement consultation and HM Treasury will review what impacts this amendment will have when it is issued.

HM Treasury

30th March 2023

Appendix 1: Amendments or interpretations issued and effective from 1 January 2023

Standard (amendment/ new)	Effective date – beginning on or after (EU adopted or UK adopted as relevant)	FReM Application?	Summary	Central Government Impact
Classification of Liabilities as Current or Non-current Amendments to IAS 1	1 January 2023 (UKEB endorsed Nov 2022)	To be applied	Classification of Liabilities as Current or Non-current clarifies a criterion in IAS 1 Presentation of Financial Statements for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	Minimal – should a central government entity’s liabilities fall within the scope of this amendment it shall apply the standard as written and no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.
Definition of Accounting Estimates Amendment to IAS 8	1 January 2023 (UKEB endorsed Nov 2022)	To be applied	Definition of Accounting Estimates distinguishes between accounting policies and accounting estimates by including a definition of accounting estimates and a clarification of a change in accounting estimate in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	Minimal – should a central government entity’s actions fall within the scope of this amendment it shall apply the standard as written and no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.

Standard (amendment/ new)	Effective date – beginning on or after (EU adopted or UK adopted as relevant)	FReM Application?	Summary	Central Government Impact
Initial Application of IFRS 17 and IFRS 9 - Comparative Information Amendment to IFRS 17	1 January 2023 (UKEB endorsed May 2022)	To be applied	Initial Application of IFRS 17 and IFRS 9 - Comparative Information amends financial asset comparative information when first applying IFRS 17 and IFRS 9 at the same time. In this instance, it would be permissible to present comparative information about such a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset.	Minimal – should a central government entity’s asset fall within the scope of this amendment it shall apply the standard as written and no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.
Assets and Liabilities Arising From a Single Transaction Amendments to IAS 12	1 January 2023 (UKEB endorsed Nov 2022)	To be applied	Assets and Liabilities Arising From a Single Transaction introduces a condition where a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences in IAS 12 Deferred Tax.	Minimal – should a central government entity’s asset and liability fall within the scope of this amendment it shall apply the standard as written and no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.

Appendix 2: Amendments or interpretations issued but not yet effective

Standard (amendment/ new)	Effective date – beginning on or after (UK Adopted)	FReM Application?	Summary
Lease Liability in a Sale and Leaseback Amendments to IFRS 16	1 January 2024 (pending UK endorsement)	To be advised	Lease Liability in a Sale and Leaseback clarifies how a seller-lessee subsequently measures sale and leaseback transactions that meet requirements in IFRS 15 to be accounted for as a sale.