Non-investment Asset Valuation for Financial Reporting Purposes

Exposure Draft

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Chapter 1: Overview

Introduction

1.1 HM Treasury has published this Exposure Draft to consult on changes that will affect Financial Reporting Manual (FReM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets. These changes flow from HM Treasury's Thematic Review of non-investment asset valuations for financial reporting and a previous Consultation Paper published on this area.

1.2 This Exposure Draft covers the whole UK public sector, which is the boundary for Whole of Government Accounts. However, the Relevant Authority for each jurisdiction within that boundary will have their own due process for proposing and approving changes to their accounting regime. This consultation does not supplant those processes. The proposed changes are published for comment only. The proposals may be modified before being formally presented to the Financial Reporting Advisory Board (FRAB) for its approval.

Structure of Exposure Draft

1.3 The Exposure Draft provides an overview of the new proposal and proposed adaptations and interpretations.

1.4 This consultation process does not substitute for due process by other relevant authorities, but rather seeks to expedite the identification of issues for consideration.

Invitation to comment

1.5 HM Treasury invites comments on the proposed amendments to be reflected in the FReM. Responses to the questions set out in Chapter 2 would be particularly welcomed. Comments are most helpful if they:

- Respond to the question as stated
- Indicate the specific paragraph or paragraphs to which they relate
- Contain a clear rationale
- Describe any alternatives HM Treasury should consider

1.6 Comments on this Consultation Paper should be submitted and received in writing by Friday 16th February 2024. Respondents are asked to send their comments electronically to Resource.Accounts@hmtreasury.gov.uk.

1.7 All responses will be published on the gov.uk website unless the respondent requests confidentiality.

1.8 HM Treasury will consider all comments received in writing by Friday 16th February 2024. In considering the comments, HM Treasury will base its conclusions on the merits of the arguments for and against the alternative, not on the number of responses supporting each alternative.

Chapter 2: Questions

Question 1:

Do you agree that HM Treasury should introduce a new asset class – assets held for their operational capacity – to replace the existing asset classes 'networked assets', 'specialised assets' and 'non-specialised assets' for valuation purposes. If so, why? If not, why not, and what alternatives do you propose?

Question 2:

Do you agree that the introduction of a new asset class - assets held for their financial capacity - is not required and should not be incorporated into the FReM? If so, why? And if not, why not?

Question 3

Do you agree that the EUV measurement basis should be maintained? If so, why? If not, why not? Would you support the introduction of COV as an alternative?

Question 4:

Do you agree that this Exposure Draft provides sufficient guidance and context regarding the valuation approach for Right-of-Use assets, and that no changes are required to Section 10.2 of the FReM in light of the other changes to the valuation of non-investment assets being proposed? If so, why? If not, why not?

Question 5:

Do you agree that the requirement to consider alternative locations when valuing an asset using DRC should be removed from the FReM? If so, why? If not, why not?

Question 6:

Do you agree with HM Treasury's proposed three processes for asset valuations? If so, why? If not, why not and what alternatives do you propose?

Question 7:

Do you agree with HM Treasury's proposal for indexation to be applied to property assets each year in-between full revaluations? If so, why? If not, why not and what alternatives do you propose?

Question 8:

Do you agree that it is not appropriate for HM Treasury to prescribe indices but that it should provide guidance on what indexation is and common indices to help entities implement changes? If so, why? If not, why not and what alternatives do you propose?

Question 9:

Do you agree with HM Treasury's conclusion that the valuation cycle should be 5 years (with the exception of non-property assets where appropriate indices are applied)? If so, why? If not, why not and what alternatives do you propose?

Question 10:

Do you agree with the change in wording to the FReM adaptation for IAS 38 Intangibles, where HM Treasury will be mandating a historical cost model (and withdrawing the revaluation option)? If so, why? If not, why not and what alternatives do you propose?

Question 11:

Do you agree that intangible assets should be measured at historical (deemed) cost, with the value of intangible assets at the date of transition being taken as historical (deemed) cost, and historical cost accounting applied thereafter? If so, why? If not, why not and what alternatives do you propose?

Question 12:

Do you agree with the proposed effective date of financial year 2025-26 for the changes? If so, why? If not, do you think the proposed effective date should be financial year 2026-27? If so, why? Are there any significant operational challenges you consider might be encountered during the implementation of this proposed approach to the valuation of non-investment assets?

Question 13:

Do you agree with HM Treasury's proposals for transition described above? If so, why? If not, why not and what alternatives do you propose.

Question 14:

Do you agree with HM Treasury's conclusions on disclosure guidance? If so, why? If not, why not and what alternatives do you propose.

Question 15:

Do you agree with HM Treasury's proposed update to Chapter 10 of the FReM to introduce the concept of assets held for their operational capacity, remove the specialised/ non-specialised asset split from the FReM, and add additional guidance from IPSAS 45 on how to identify as asset held for its operational capacity? If so, why? If not, why not and what alternatives do you propose.

Question 16:

Do you agree with HM Treasury's proposed update to the existing adaptation of IAS 16 covering measurement bases to introduce the concept of assets held for their operational capacity and remove the specialised/ non-specialised asset split from the FReM? If so, why? If not, why not and what alternatives do you propose.

Question 17:

Do you agree with HM Treasury's proposed adaptation of IAS 38 to mandate measuring intangible assets using the cost model after initial recognition? If so, why? If not, why not and what alternatives do you propose.

Question 18:

Do you agree with HM Treasury's proposed adaptation of IAS 16 paragraph 34 and the changes to FReM paragraphs 10.1.1 and 10.1.2? If so, why? If not, why not and what alternatives do you propose. Do you agree that, under the adaptation to IAS 16.34, full revaluation will only be required where there are indicators of impairment under IAS 36, or where no appropriate indices are available?

Question 19:

Do you it agree that it is appropriate for accounts preparers (where necessary, in consultation with their valuers and using the RICs Red Book) to determine the most appropriate revaluation methodology for an asset given the methodologies being proposed by HM Treasury in this Exposure Draft? If so, why? If not, why not, and what alternatives do you propose?

Question 20:

Do you agree with HM Treasury's proposed changes to FReM paragraphs 10.1.10? It is HM Treasury's intention that a phased transition approach, supported by disclosure, will be permissible even where the impact is materially different to full transition on implementation. Do you agree that the revisions to FReM 10.1.10 achieve this intent?

Question 21:

Do you agree with the index examples HM Treasury have provided? If so, why? If not, why not and what alternatives do you propose? Are there any areas in respect of indexation where you think additional guidance might be required?

Question 22:

Do you agree with HM Treasury's proposed guidance to add to chapter 10 of the FReM in respect of impairment reviews? If so, why? If not, why not and what alternatives do you propose.

Question 23:

Do you agree that the proposed FReM amendments reflect the HM Treasury position on non-investment asset valuation as set out in this Exposure Draft? If not, why not? Are there specific areas amendments that you feel require greater explanation or clarification?

Chapter 3: Non-Investment Assets

Background

3.1 HM Treasury conducted a thematic review of non-investment asset valuation for financial reporting. The review's scope was defined as IAS 16 and IAS 38 assets within the boundary of Whole of Government Accounts.

3.2 As part of the Review, a detailed survey was undertaken across central and local government, to identify and evaluate costs and benefits of the current valuation regime, and test and analyse prospective alternative asset measurement options with stakeholders. On balance, the Review found there was a case for change. A Consultation Paper was published in March 2023 which contained specific proposals for change. The Consultation Paper provided a vehicle to gather stakeholder views.

3.3 The FReM, the Code, and the GAM effectively adapt reporting under International Financial Reporting Standards ("IFRS") by removing the option of measuring non-investment assets using a historical cost model. The FReM, the Code and the GAM require the determination of Current Value based on either market value in existing use ("EUV") for non-specialised assets or depreciated replacement cost ("DRC") on a modern equivalent asset basis for specialised assets (these valuation requirements are collectively referred to as "Current Valuation"). It is worth noting that the Code allows for DRC to also be used where there is no market and/or the asset is specialised.

3.4 In the FReM, each class of asset has a different current valuation basis based on the nature and intended use. For each case it is intended to reflect the current equivalent cost of consuming the economic benefits of the assets.

3.5 The Thematic Review found that although there are some alternative uses to the valuation information produced as part of the current regime, and acknowledgement that it can be used in strategic decision-making process, ultimately there is a lack of incentive to do so. In addition to this, the current regime is noted as time-consuming and the audit requirements for non-investment asset valuations are disproportionate to the audit as a whole.

3.6 HM Treasury also believes that there are areas where the quality of financial reporting of non-investment asset valuations can be improved, for example through the removal of the option of using the alternative site basis for valuation. Throughout these proposals, HM Treasury has tried to balance the need for high quality financial reporting with the costs associated with the regime and the benefits to users.

3.7 To develop the proposals in this Exposure Draft, HM Treasury established a technical working group. This working group was made up of stakeholders from across the public sector, including for example preparers, valuers, standard-setting authorities, and users. HM Treasury also engaged regularly with members of the Financial Reporting Advisory Board, including the National Audit Office.

3.8 HM Treasury is not recommending a transition to the historical (deemed) cost model for all classes of non-investment assets. A historical (deemed) cost approach would result in a potentially significant disparity between the carrying value under the historical (deemed) cost model and current values, leading to the risk of less useful and relevant information. Reliance on historical cost valuation data could also lead to issues around lack of transparency, and risk limiting the ability of users of the financial statements to assess, corroborate or challenge management's stewardship of assets.

3.9 As representatives of the primary user of central government accounts, the Scrutiny Unit at the House of Commons, have also expressed support for use of current value over historical cost as a general principle, based on the concept that it is more relevant for Parliamentary users.

3.10 HM Treasury is recommending that current valuation still be used for assets held at operational capacity, however HM Treasury is proposing several changes to the existing use value measurement basis to address the disproportionality in cost associated with the requirements currently in the FReM. These proposals are set out below.

Introduction of assets held for their operational capacity

3.11 Section 10.1 Property, plant and equipment (PPE) of the FReM contains several adaptations to IAS 16 to specify the following valuation bases:

- Assets held for service potential (i.e. operational assets used to deliver either front line services or back office functions) which are measured at their current value in existing use
  - Non-specialised assets current value in existing use should be interpreted as market value for existing use. In the RICs Red Book, this is defined as Existing Use Value (EUV).
  - For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential
- Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use as above if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the entity could access the market, then the surplus asset should be valued at fair value using IFRS 13
- Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where such assets are surplus and do not fall within the scope of IFRS 5 or IAS 40, they should be valued at fair value applying IFRS 13.

3.12 HM Treasury believes there is a risk of subjectivity in determining if an asset is specialised or non-specialised. For example, some office buildings held by public sector bodies, and used for conventional purposes, are unique in terms of where they are sited and/or their size. As a result, they could be treated as specialised assets.

3.13 HM Treasury reviewed IPSAS 45 Property, plant and equipment and IPSAS 46 Measurement, published in May 2023, which provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time, and introduces the current operational value measurement basis, a public sector-specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets.

3.14 Most notably, IPSAS 45 and 46 introduces the concept of assets being held for their operational capacity in the public sector. IPSAS 46 states that 'when assets are held for their operational capacity in the public sector, they are held to achieve a policy objective. Holding an asset to meet a policy objective often results in an asset being held in a capacity other than one that satisfies its highest and best financial use'. IPSAS 46 requires assets held for operational capacity to be measured using the current operational value basis.

3.15 HM Treasury therefore proposes to introduce the principle of assets held at their operational capacity to the FReM for the purpose of valuation. The definition of assets held at operational capacity that is introduced by IPSAS 45 and 46 captures the current definitions of networked, specialised, and non-specialised assets.

3.16 Assets held for their operational capacity will replace 'networked assets', 'specialised assets' and 'non-specialised assets' as asset classes, simplifying non-investment asset valuations. Introducing a single measurement base for this new asset class will remove uncertainty around asset class distinctions and will simplify the guidance significantly.

Question 1:

Do you agree that HM Treasury should introduce a new asset class – Assets held for their operational capacity – to replace the existing asset classes 'networked assets', 'specialised assets' and 'non-specialised assets' for valuation purposes. If so, why? If not, why not, and what alternatives do you propose?

Assets held for their financial capacity

3.17 IPSAS 45 also introduces the concept of assets held at financial capacity, and states that fair value continues to faithfully represent the value to the public sector entity of those assets.

3.18 HM Treasury have established that there are not any assets in the UK public sector that meet the definition of assets held for their financial capacity, which are not already identified as part of another existing asset class.

3.19 FReM already states: 'assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where such assets are surplus and do not fall within the scope of IFRS 5 or IAS 40, they should be valued at fair value applying IFRS 13.'

3.20 Therefore, HM Treasury proposes not introducing the concept of assets held at financial capacity into the FReM and instead only introducing assets held at operational capacity.

Question 2:

Do you agree that the introduction of a new asset class - assets held for their financial capacity - is not required and should not be incorporated into the FReM? If so, why? And if not, why not?

Current Operational Value (COV) and Existing Use Value (EUV)

3.21 IPSAS 46 requires assets held for operational capacity to be measured using the Current Operational Value (COV) method. COV is the amount the entity would pay for the remaining service potential of an asset at the measurement date. HM Treasury has investigated whether introducing COV as a measurement basis would be appropriate for assets held for operational capacity or whether it would be more appropriate to retain the existing EUV measurement basis for these assets.

3.22 Both COV and EUV are measures of an asset's value in its existing use, rather than its highest or best use. The key driver is that measurement bases such as market value and fair value are not best suited for the valuation of public sector operational assets. This is because concepts such as 'highest and best use' and maximising the use of market participant data is not easily available or would not apply.

3.23 Both are entity specific with assumptions based on the way the existing asset is used by the entity. They therefore reflect the remaining service potential required by that entity for its service delivery functions. IPSAS 46 also states that the cost approach (DRC) is to be the measurement technique to be applied to deliver COV if market data is not available.

3.24 There are, however, some distinctions between COV and EUV. Firstly, COV does not permit the income approach as a measurement technique, but EUV does. IPSASB was of the view that an income approach would most likely under-value an asset – such as social housing. This is, however, causing some problems with the leasing standard. Most leased assets will be held for their operational capacity which would then require one to adopt current operational value under IPSAS 46. Leased assets are valued using the present value of lease payments, which is an income method and is not permitted to be used when applying current operational value. IPSASB will be reviewing this in due course.

3.25 The other differences relate to DRC calculations. For example, currently in the UK DRC permits the use of hypothetical alternative site locations. However, under COV, the use of an alternative site location and a different site area is not permitted. There is also a difference in that COV permits the use of identical replacement as well as Modern Equivalent Assets. These areas are discussed further in the section on DRC below.

3.26 HM Treasury proposes to maintain the EUV measurement basis, and not adopt COV.

Question 3:

Do you agree that the EUV measurement basis should be maintained? If so, why? If not, why not? Would you support the introduction of COV as an alternative?

Right of use assets

3.27 HM Treasury has reviewed the FReM guidance on the valuation of Right-of-use assets and is satisfied that the current guidance remains relevant and appropriate and is compatible with EUV. HM Treasury is not, therefore, proposing to make any changes to the guidance around the valuation of Right-of-use assets in section 10.2 of the FReM.

Question 4:

Do you agree that this Exposure Draft provides sufficient guidance and context regarding the valuation approach for Right-of-Use assets, and that no changes are required to Section 10.2 of the FReM in light of the other changes to the valuation of non-investment assets being proposed? If so, why? If not, why not?

Depreciated Replacement Cost (DRC)

3.28 One of the key workstreams of the non-investment assets thematic review was to identify ways of making the application of DRC measurement principles in central government more streamlined and consistent, and therefore easier to apply. The most significant proposed change uses a requirement in IPSAS 46 regarding the consideration of alternative sites when applying the cost approach to asset measurement.

3.29 HM Treasury have identified a significant difference between IPSAS 46 and the FReM when applying the cost approach to asset valuation- this difference is the consideration of alternative locations when developing a modern equivalent asset to measure the replacement cost of the service potential of an asset.

3.30 FReM guidance on DRC states:

a. 'For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential….

b. Where a valuer, following discussion with the entity, determined that depreciated replacement cost (DRC) is the most appropriate measure of current value in existing use, entities and their valuers should have regard to the guidance contained in the most recent RICS Red Book.'

c. Where DRC is used as the valuation methodology:

> a) entities should normally value a modern equivalent asset in line with the Red Book. Any plans to value a reproduction of the existing asset instead should be discussed with the relevant authority (through sponsoring bodies where appropriate) to determine whether such an approach is appropriate to the entity's circumstances.
>
> b) entities should use the 'instant build' approach;
>
> c) the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.'

3.31 The FReM does provide guidance on alternative sites but does not completely remove the choice of using alternative sites when measuring the replacement cost of the service potential of an asset.

3.32 IPSAS 46 paragraphs B25 and B26 state:

> B25. The asset's current operational value assumes that the entity will continue to deliver goods and/ or services from the same location in which the asset is currently situated or used.
>
> B26. The current operational value of an asset that cannot be physically moved reflects the value of the physically immovable asset in its existing location. For example, a hospital operating in a city centre that could be situated in the suburbs, due to migration of the population, is measured based on the amount and entity would pay for the hospital at its existing location…'

3.33 IPSAS 46 basis for conclusions paragraph 56 states:

> '…the IPSASB agreed that a valuation based on an alternative site would not achieve the objective of current operational value because it would not provide a value of the existing asset in its existing use. This is because delivering the service from another location is unlikely to be in the public interest, given the location where the asset is current situation was selected for service delivery needs. Relocating the asset to another location is a separate, future policy decision that should not be taken into consideration when measuring the asset. Current operational value valuations should be based on delivering the entity's good and/ or services from the existing location.'

3.34 HM Treasury have taken the view that the FReM should remove the requirement to consider alternative locations when valuing an asset using DRC, and that assets should be valued based on their existing location. The reasons for this conclusion are:

- The decision to relocate an asset is a future policy decision which is not yet made
- Asset valuations based on the actual location of the asset are more understandable to users of the accounts

- Asset valuations based on the actual location of the asset are less judgemental, and therefore less resource-intensive, than considering an alternative location for the asset

3.35 Requiring entities to value their assets based on the current location does not mean that the size of the asset has to remain the same. HM Treasury are not changing the modern equivalent asset (MEA) requirements in this respect; entities will still be required to determine whether the MEA would be an asset of a smaller size, but in the location it is currently situated.

Question 5:

Do you agree that the requirement to consider alternative locations when valuing an asset using DRC should be removed from the FReM? If so, why? If not, why not?

Revaluations for PPE

3.36 HM Treasury believes that a periodic reset of valuations plus annual indexation represents the best balance between high-quality financial reporting and ease of implementation for accounts preparers. This process will maintain the current value of assets on the SoFP whilst reducing the number of full revaluations undertaken during a given time period.

3.37 FReM paragraph 10.1.1 states: 'In considering how best to apply the valuation requirements of IAS 16 so as to ensure that the Statement of Financial Position gives a true and fair view of the value of the assets at the reporting date, entities should consider the following guidance on property and non-property assets.'

3.38 The FReM currently lists the following processes entities may use when valuing their assets:

a) A quinquennial valuation supplemented by either annual indexation or a regular desktop valuation

b) A quinquennial valuation supplemented by an interim professional valuation in year 3

c) Annual valuations

d) A rolling programme of valuation

e) For non-property assets only, appropriate indices.

3.39 HM Treasury are proposing to reduce the number of processes entities can use when revaluing their assets to three, being:

a) A quinquennial revaluation supplemented by annual indexation in intervening years

b) A rolling programme of revaluations over a 5-year cycle, with annual indexation applied to assets during the four intervening years

c) For non-property assets only, appropriate indices.

3.40 HM Treasury therefore proposes an adaptation prescribing that revaluations are undertaken using one of the 3 processes listed above. This adaptation is set out in Chapter 5 of this document.

3.41 HM Treasury propose not to mandate indices for all central government entities to use. The main reason for this is that it is not possible to provide a common index for all assets in central government which would not be challenged; especially given how diverse the asset base is in central government. Additionally, HM Treasury do not think it will be possible to generate an index which is better than those already available (e.g. the BCIS all-in Tender Price Index for assets valuing DRC). Guidance on indexation to be included in the FReM is included in Chapter 5 of this ED.

Question 6:

Do you agree with HM Treasury's proposed three processes for asset valuations? If so, why? If not, why not and what alternatives do you propose?

Question 7:

Do you agree with HM Treasury's proposal for indexation to be applied to property assets during the four intervening years? If so, why? If not, why not and what alternatives do you propose?

Question 8:

Do you agree that it is not appropriate for HM Treasury to prescribe indices but should provide guidance on what indexation is and common indices to help entities implement changes? If so, why? If not, why not and what alternatives do you propose?

Consideration of revaluations less frequent than every 5 years

3.42 HMT considered whether revaluations could be undertaken less frequently than every 5 years, for example every 7 years or every 10 years.

3.43 The rationale for considering a longer valuation cycle is that 7 or 10 years is just as arbitrary a time period as every 5 years, but a longer valuation cycle would reduce the cost of the valuation regime. As stated in the non-investment assets thematic review, use of asset valuation data for financial management purposes is limited, so use of a longer valuation cycle should not have significant financial management implications, and may still maintain a reasonable SoFP value and appropriate charges to the SoCNE for deprecation and impairments.

3.44 A disadvantage for having a longer valuation cycle is that, when the full professional revaluation is undertaken, the magnitude of the adjustments to the carrying value of assets is likely be larger. These can be difficult to forecast and manage, especially where economic conditions are more volatile.

3.45 It should be noted that the valuation cycle is already at the upper limit of the valuation cycle quoted in IAS 16 paragraph 34 of 3-5 years. Though 3-5 years is itself arbitrary, use of a valuation cycle longer than 5 years would be an even more significant departure from IAS 16 and may compromise the quality of financial reporting in central government.

3.46 On this basis, HM Treasury have concluded that the longest valuation cycle should remain 5 years.

Question 9:

Do you agree with HM Treasury's conclusion that the valuation cycle should be 5 years (with the exception of non-property assets where appropriate indices are applied)? If so, why? If not, why not and what alternatives do you propose?

Intangible Assets

3.47 The current FReM requirement for the valuation of intangible assets is market value in existing use. 88% of respondents to the Consultation Paper agreed there should be a change to the measurement of intangible assets and agreed with the proposed move to historical (deemed) cost. This is because there is typically a lack of observable market inputs for valuation purposes with the current measurement basis (market value in existing use for those intangible assets that do not have short useful economic lives).

3.48 In addition, for those intangible assets that have relatively short useful economic lives, which is the case for most public sector assets, holding at current value is often less relevant to users of the accounts. Although the FReM does state that where no active market exists, entities should revalue the asset, using indices or some suitable model, the identification of appropriate indices can be challenging.

3.49 HM Treasury have explored whether the valuation basis for intangible assets should remain as historical (deemed) cost as proposed in the Consultation Paper, or whether intangible assets should be recognised as assets held for operational capacity – in line with what is currently recognised as specialised assets – and be measured at current value. Whereas for 'specialised assets', which are tangible, a market equivalent might be available, or a value based on an alternative existing location is available, this would not be an option for intangible assets.

3.50 HM Treasury have concluded that there would be more judgement in determining the EUV than there is with historical (deemed) cost model because of the lack of observable market for most intangible assets. There is also the risk of additional cost in development of a DRC valuation for intangible assets that would be significantly different to the development of a DRC valuation for assets held for their operational capacity. This is because the HMT Guidance on Asset Valuation document, that was originally published in 2007, covered practical aspects of preparing appropriate valuations using DRC methodology for tangible assets. There has been no guidance specific to the public sector for intangible assets, which is why the process of development would be significantly different. The only guidance available would be in international valuation standard, which would apply to any intangible asset in any sector.

3.51 HM Treasury believes that a differential approach to valuation based on asset class is most favourable, because it allows application of a relevant and practicably achievable accounting policy and enables the public sector to apply the optimum cost/benefit measurement for each type of asset class, depending on the nature and intended use of the asset. HM Treasury have determined that it would be most appropriate to keep intangible assets as their own asset class and measure at historical (deemed) cost.

Question 10:

Do you agree with the change in wording to the FReM adaptation for IAS 38 Intangibles, where HM Treasury will be mandating a historical cost model (and withdrawing the revaluation option)? If so, why? If not, why not and what alternatives do you propose?

Question 11:

Do you agree that intangible assets should be measured at historical (deemed) cost, with the value of intangible assets at the date of transition being taken as historical (deemed) cost, and historic cost accounting applied thereafter? If so, why? If not, why not and what alternatives do you propose?

Chapter 4: Transition, disclosure and other guidance

Effective Date

4.1 HM Treasury proposes an effective date of implementation of 2025/26. HM Treasury believe this will provide sufficient time for guidance to be finalised and published with appropriate lead time for preparers to implement any changes.

Winter 2023	Exposure draft for consultation
Spring 2024	Review responses and prepare Application Guidance
June 2024	FRAB meeting to approve the proposed FReM text and associated guidance
Summer 2024	Publication of proposed text and associated guidance
April 2025	UK public sector implementation of new approach to valuation of non-investment assets

Question 12:

Do you agree with the proposed effective date of financial year 2025-26 for the changes? If so, why? If not, do you think the proposed effective date should be financial year 2026-27? If so, why? Are there any significant operational challenges you consider might be encountered during the implementation of this proposed approach to the valuation of non-investment assets?

Introduction of assets held at operational capacity and EUV being the measurement base for these assets- transition requirements

4.2 The HM Treasury view is that transition guidance is not required for these particular changes. This is because the underlying measurement base is not changing for non-investment assets. Assets valued at DRC will continued to be valued at DRC, assets valued using a market approach will continue to do so etc.

4.3 These changes are more clarifications of the current financial reporting requirements rather than changes in underlying accounting requirements.

Intangible assets - transition requirements

4.4 As noted above FRAB agreed with HM Treasury's proposal to account for intangible assets at historical (deemed) cost. This would involve the value of intangible assets at the date of transition (1 April 2025) being taken as historical(deemed) cost, and historical cost accounting applied thereafter.

4.5 Therefore, by definition, these changes would be applied prospectively only.

Transition for requirement to revalue quinquennially and not to consider alternative sites when valuing assets at DRC

4.6 IAS 8 paragraph 19 requires changes in accounting policies to be applied retrospectively unless the relevant IFRS standard includes specific transitional provisions or retrospective restatement is impracticable (IAS 8 paragraph 23).

4.7 HM Treasury are not arguing that retrospective restatement for the changes in respect of valuation frequency and alternative locations is impracticable. However, retrospective restatement would appear burdensome, the costs of doing so outweighing the benefits and arguably unnecessary for users of the financial statements.

4.8 In respect of the requirement to revalue assets on a quinquennial basis with indexation in intervening years and not to consider alternative locations when valuing assets at DRC, the HM Treasury proposal is that entities shall apply these changes prospectively from 1 April 2025. Entities shall not restate prior year comparatives as a result of these changes.

4.9 For the avoidance of doubt, entities do not need to professionally revalue all assets in 2025/26 to implement these changes. For example: An entity holds a building on their SoFP valued at DRC and an alternative location is assumed. This was last professionally revalued on 1 April 2023. The next 5-yearly revaluation would be on 1 April 2028, which is 5 years from the last valuation, and would use the asset's current location for the valuation. This approach ensures the financial reporting changes are applied in a phased way over time.

4.10 HM Treasury are proposing these changes are applied prospectively in this phased way as this achieves the right balance between high quality financial reporting and the cost of complying with these changes.

4.11 As noted in Chapters 2 and 3 of the Thematic Review of Non-Investment Asset Valuations for Financial Reporting Purposes, consultation respondents considered the use of asset valuation data for strategic decision making to be more limited for a variety of reasons. As such revaluing all assets using the new requirements on 1 April 2025 may not be necessary from a financial management perspective.

4.12 However, a key purpose for making these changes is to make the financial reporting regime more straightforward and easier to comply with. As noted in paragraphs 3.9 and 3.11 of the non-investment assets consultation paper, the current reporting requirements in respect of non-investment assets are considered burdensome and costly relevant to the benefits. Requiring entities to retrospectively restate their financial statements for these changes may make the financial reporting regime more onerous in the short term and costly compared to the benefits.

4.13 **In respect of the requirement to revalue assets on a quinquennial basis, HM Treasury proposes that entities shall apply this particular change prospectively from 1 April 2025. Entities shall not restate prior year comparatives as a result of the change to revalue assets every 5-years (with indexation in intervening years).**

4.14 For the avoidance of doubt, entities do not need to professionally revalue all assets in 2025/26 to implement these changes. For example: An entity holds an office building on their SoFP. This was last professionally revalued on 1 April 2023. The next 5-yearly revaluation would be on 1 April 2028, which is 5 years from the last valuation. HM Treasury are aware there are risks to this approach. A key risk being that, at a point in time, entities may have some assets valued based on their current location and other assets valued based on an alternative location. However, this is a short-term risk and would be eliminated in central government from 1 April 2030 onwards (5 years from 1 April 2025), at which point all assets would be valued based on their current location.

4.15 Although valuing assets using different assumptions may be confusing to users of the accounts, this confusion should be limited to this single assumption and can be explained in an understandable way by reporting entities (please refer to the disclosure section below).

4.16 Additionally, the application of changes in accounting policies prospectively is not without precedent in IFRS; IFRS 13 was applied prospectively when it became effective, IFRS 13 paragraph C2. (Noting though that HM Treasury does accept that the prospective application of IFRS 13 was not phased in the way HM Treasury are proposing for the non-investment assets accounting requirement changes).

4.17 High quality financial reporting is also maintained. These assets will continue to be held on the SoFP at current valuation, with appropriate depreciation and impairment charges reported in the SoCNE, and therefore still achieves a high level of transparency and accountability over how the reporting entity is managing their asset base.

4.18 For these reasons, the HM Treasury view is that applying these accounting policy changes prospectively, and in a phased way, achieves the right balance between the cost of complying with these changes and maintaining high quality financial reporting, and is appropriate under the conceptual framework.

Approach to indexation - transition

4.19 The HM Treasury proposal is for entities to revalue their assets using one of the following processes: 1) 5-yearly revaluations with indexation in intervening years, 2) a rolling programme of revaluations with annual indexation applied to assets during the four intervening years, 3) appropriate indices for non-property assets.

4.20 For assets subject to 5-yearly revaluations, the period between revaluations shall not exceed five years during the transition period.

4.21 For 3) appropriate indices for non-property assets, this process has been in the FReM for some years and HM Treasury are not proposing any changes in respect of this process. Therefore, no transition guidance is required for this valuation process.

4.22 As at the date of transition (1 April 2025) entities may be in a different position with their indexation. For example, an entity may have had their last full revaluation on 1 April 2022 with no indexation in intervening years as the impact was immaterial. There could be a question as to whether there needs to be a catch-up adjustment for entities who have not indexed/ performed a desktop valuation etc since their last full revaluation.

4.23 FReM paragraph 10.1.1 states the following: '*In considering how best to apply the valuation requirements of IAS 16 so as to ensure that the Statement of Financial Position gives a true and fair view of the value of the assets at the reporting date, entities should consider the following guidance on property and non-property assets.*'

4.24 This guidance should remain in the FReM at least up to 31 March 2025. Therefore, as at 31 March 2025 it should be fair to assume that the carrying value of all assets on the SoFP are true and fair.

4.25 On the assumption that value of all assets on the SoFP on 31 March 2025 are true and fair, the HM Treasury view is that there should be no need for any catch-up adjustments in 2025-26 for indexation. The value of the assets brought forward into 2025-26 are materially correct so their values do not need to be adjusted.

4.26 The HM Treasury proposal is for annual indexation to be applied prospectively only- entities do not need to apply indexation retrospectively.

Question 13:

Do you agree with HM Treasury's proposals for transition described above? If so, why? If not, why not and what alternatives do you propose.

Disclosure

4.27 Below is a draft narrative entities may use in their 2025-26 ARAs to explain the changes in accounting policies. The wording would not be mandatory, which will allow entities to tailor their narrative on this accounting policy change to their own specific circumstances.

4.28 **Suggested narrative:** *From 1 April 2025 HM Treasury changed the requirements in the Government Financial Reporting Manual (FReM) in respect of revaluations of property, plant and equipment. Where entities do not have a rolling programme of revaluations in place and/ or the assets are not non-property assets subject to indexation, entities revalue their assets every 5 years with annual indexation applied to assets during the four intervening years.*

4.29 *For assets valued using the Depreciated Replacement Cost (DRC) methodology, entities are now required to value their assets based on their current location and not to consider alternative locations. These changes are applied prospectively in line with the transition requirements published by HM Treasury.*

4.30 *The value and proportion of assets currently valued using the existing location valuation approach is x. The value of assets still valued using the alternative location valuation approach is y. All assets will be valued using the existing location valuation approach by z date, in line with the transition period approach.*

4.31 HM Treasury have not identified any further areas where disclosure guidance is required.

Question 14:

Do you agree with HM Treasury’s conclusions on disclosure guidance? If so, why? If not, why not and what alternatives do you propose.

Chapter 5: Proposed amendments to the Government Financial Reporting Manual

Introduction

5.1 This section sets out the proposed amendments to the FReM, including one new adaptation to IAS 16, as a result of the proposed changes to the financial reporting framework in respect of non-investment assets.

5.2 The proposed amendments to the FReM primarily affect chapter 10 of the FReM. Chapter 8 is also affected as this chapter of the FReM lists out all adaptations and interpretations of IFRSs.

Removal of specialised/non-specialised asset split and replace with assets held at operational capacity.

5.3 HM Treasury propose to introduce the principle of assets held at their operational capacity to the FReM to replace networked, specialised, and non-specialised asset classes. The definition of assets held at operational capacity that is introduced by IPSAS 46 captures the current definitions of networked, specialised, and non-specialised assets.

5.4 HM Treasury are not introducing the concept of assets held at financial capacity, which is included in IPSAS 45.

5.5 HM Treasury propose to use the guidance in IPSAS 45 to help define what an asset held at operational capacity is. HM Treasury propose to include this guidance in the FReM. HMT Treasury propose to update FReM paragraph **10.1.4** to provide the following guidance (changes are in red):

> Assets which are held for their operational capacity ~~service potential~~ (i.e. operational assets ~~used~~ held with the primary objective to deliver either front line services or back office functions) should be measured at their current value in existing use. ~~For non-specialised assets~~ Current value in existing use should be interpreted as market value in existing use which is defined in the RICS Red Book as Existing Use Value (EUV). ~~For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.~~
>
> In certain circumstances, an item of property, plant and equipment may generate a financial return although it is primarily held for service delivery purposes. For example, a waste disposal plant is operated to ensure safe disposal of medical waste generated by central government entities, but also treats a small amount of waste generated by private sector entities on a commercial basis. In this instance, the disposal waste plant would be treated as an asset held for operational capacity and measured at EUV.
>
> In some cases, it may not be clear whether the intended primary objective of holding an item or part of an item of property, plant and equipment is for its operational capacity. Judgement is needed. An entity develops criteria so that it can exercise judgement consistently in concluding whether an item of property, plant and equipment is held primarily for its operational capacity or not. When the intended primary objective of

holding an item of property, plant and equipment cannot be determined, given the overall objectives of most public sector entities, the presumption is that an item of or part of an item of property, plant and equipment is held for its operational capacity.

5.6 The text above in red has been taken from IPSAS 45 paragraphs AG21 to AG23.

Question 15:

Do you agree with HM Treasury's proposed update to chapter 10 of the FReM to introduce the concept of assets held for their operational capacity, remove the specialised/ non-specialised asset split from the FReM, and add additional guidance from IPSAS 45 on how to identify as asset held for its operational capacity? If so, why? If not, why not and what alternatives do you propose.

5.7 Throughout the FReM reference to 'assets held for their **service potential**' will be replaced with assets held for their **operational capacity**'. This includes the flow diagram in chapter 10 of the FReM.

5.8 HM Treasury propose to update the existing adaptation to IAS 16 in respect of valuation bases as follows:

- Assets which are held for their operational capacity ~~service potential~~ (i.e. operational assets) and are in use should be measured at current value in existing use. ~~For non-specialised assets~~ Current value in existing use should be interpreted as market value for existing use. In the RICS Red Book, this is defined as Existing Use Value (EUV). All non-investment assets will fall into this category other than those that meet the definition of surplus assets or assets held for sale. ~~For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.~~

- Assets which were most recently held for their ~~service potential~~ operational capacity but are surplus should be valued at current value in existing use as above if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the entity could access the market, then the surplus asset should be valued at fair value using IFRS 13.

- Assets which are not held for their operational capacity ~~service potential~~ should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where such assets are surplus and do not fall within the scope of IFRS 5 or IAS 40, they should be valued at fair value applying IFRS 13.

Question 16:

Do you agree with HM Treasury's proposed update to the existing adaptation of IAS 16 covering measurement bases to introduce the concept of assets held for their operational capacity and remove the specialised/ non-specialised asset split from the FReM? If so, why? If not, why not and what alternatives do you propose.

Intangible assets

5.9 The HMT proposal is for intangible assets to be valued using the historical cost model. The FReM currently adapts IAS 38 to withdraw the option to measure intangible assets using the cost model, and instead sets out a number of valuation requirements depending on whether the intangible asset has an active market or a value in use.

5.10 HMT proposes to change this adaptation to IAS 38 to:

Following the initial recognition of an intangible asset, for subsequent measurement IAS 38 permits the use of either the cost or revaluation model for each class of intangible asset.

The FReM withdraws the option to measure intangible assets using the revaluation model after initial recognition. Entities must measure intangible assets using the cost model after initial recognition.

Question 17:

Do you agree with HM Treasury's proposed adaptation of IAS 38 to mandate measuring intangible assets using the cost model after initial recognition? If so, why? If not, why not and what alternatives do you propose.

Asset valuation frequency and processes

5.11 HM Treasury believes there is a need for an approach to non-investment asset valuation that achieves high quality financial reporting, but that balances the costs of the revaluation process with the benefits to users of the accounts.

5.12 HM Treasury are proposing to reduce the number of processes entities can use when revaluing their assets to three, being:

a. A quinquennial revaluation supplemented by annual indexation in intervening years.

b. A rolling programme of revaluations over a 5-year cycle, with annual indexation applied to assets during the four intervening years

c. For non-property assets only, appropriate indices.

5.13 This change would require a new adaptation to the FReM in respect of IAS 16 paragraph 34. IAS 16 paragraph 34 states 'The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.'

5.14 HMT's proposal removes the requirement to fully revalue an asset more frequently than every 5 years (unless the asset is a non-property asset with indexation applied). This is a departure from IAS 16 paragraph 34 and therefore requires adaptation. The proposed adaptation is as follows:

Central government adaptation: The requirement in IAS 16 paragraph 34 to revalue an asset when its fair value differs materially from its carrying value has been withdrawn. Revaluations are undertaken using one of the following three processes:

a) A quinquennial revaluation supplemented by annual indexation in intervening years.

b) A rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the four intervening years

> c) For non-property assets only, appropriate indices.
>
> The FReM withdraws the requirement for revaluations to be undertaken any more frequently than stated above, unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued.

5.15 FReM paragraphs 10.1.1 and 10.1.2 would need to be amended as follows (changes are in red):

> 10.1.1 ~~In considering how best to apply the valuation requirements of IAS 16 so as to ensure that the Statement of Financial Position gives a true and fair view of the value of the assets at the reporting date,~~ Entities should consider the following guidance on property and non-property assets. The flowchart at the end of this section will assist in determining the appropriate accounting treatment of PPE excluding networked assets, donated assets and heritage assets.
>
> 10.1.2 Entities ~~should~~ must value their PPE using one of the following ~~the most appropriate~~ valuation processes~~. Such processes might include~~:
>
> • a quinquennial valuation supplemented by ~~either~~ annual indexation ~~or regular desktop valuation update~~
>
> ~~• a quinquennial valuation supplemented by an interim professional valuation in year 3~~
>
> ~~• annual valuations~~
>
> • a rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the four intervening years
>
> • for non-property assets only, appropriate indices.
>
> 10.1.3 ~~It is for valuers, using the Royal Institution of Chartered Surveyors; (RICS) 'Red Book' (RICS Valuation – Professional Standards), and following discussions with the entity, to determine the most appropriate methodology for obtaining either a current value in existing use or a fair value.~~ It is for accounts preparers (where necessary, in consultation with their valuers and using the RICs Red Book) to determine the most appropriate revaluation methodology for an asset.

5.16 HM Treasury recognises that there are differences between the three methodologies being proposed, and that the most appropriate methodology is likely to depend on the context of the entity and the specific asset being valued. HM Treasury is satisfied that all three of the valuation methodologies set out above are acceptable approaches to non-investment valuation.

5.17 HM Treasury is not proposing to be prescriptive about which of the three methodologies should be applied in specific scenarios; rather it is for the preparers of the financial statements – where necessary, in discussion with their valuers and using the RICs Red Book - to make a judgement about what is the most appropriate valuation approach in each case for their specific circumstances.

Question 18:

Do you agree with HM Treasury's proposed adaptation of IAS 16 paragraph 34 and the changes to FReM paragraphs 10.1.1 and 10.1.2? If so, why? If not, why not and what alternatives do you propose. Do you agree that, under the adaptation to IAS 16.34, full revaluation will only be required where there are indicators of impairment under IAS 36, or where no appropriate indices are available?

Question 19:

Do you it agree that it is appropriate for accounts preparers (where necessary, in consultation with their valuers and using the RICs Red Book) to determine the most appropriate revaluation methodology for an asset given the methodologies being proposed by HM Treasury in this Exposure Draft?

Alternative sites

5.18 The HMT proposal is for assets valued using depreciated replacement cost to be valued based on their existing location; alternative locations are not considered. The FReM does not require adaptation or interpretation for this change as the DRC valuation methodology is not prescribed by IFRS. However, the guidance in the FReM does need to be updated for this change.

5.19 FReM paragraph **10.1.10** requires the following update for this change in requirement:

> **10.1.10** Where DRC is used as the valuation methodology:
>
> a) entities should normally value a modern equivalent asset in line with the Red Book. Any plans to value a reproduction of the existing asset instead should be discussed with the relevant authority (through sponsoring bodies where appropriate) to determine whether such an approach is appropriate to the entity's circumstances.
>
> b) entities should use the 'instant build' approach;
>
> c) entities shall value the asset based on its current location and not consider alternative locations. ~~the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.~~

5.20 HM Treasury recognises that moving away from an alternative location valuation approach will be more significant for some entities than others. HM Treasury will therefore not be prescribing whether the transition from an alternative location valuation to an existing location valuation is done for the whole asset class at the date of implementation, or if it is done as part of a rolling cycle of revaluations.

5.21 However, in cases where the transition is done on a rolling basis, entities will be required to include a disclosure setting out the proportion and value of assets still being valued on an alternative location basis, and an explanation that this is a transitional arrangement.

Question 20:

Do you agree with HM Treasury's proposed changes to FReM paragraphs 10.1.10? It is HM Treasury's intention that a phased transition approach, supported by disclosure, will be permissible even where the impact is materially different to full transition on implementation. Do you agree that the revisions to FReM 10.1.10 achieve this intent?

Indexation

5.22 HMT will not be prescribing indices for central government entities to use. This is because the government's asset base is diverse and there may be differences which may not be captured by a common index. For example, the index used for a hospital may be different to an index used for the British Museum. HMT have therefore concluded that prescribing indices for entities to use in a similar as is done for discount rates is not practicable.

5.23 However, HMT will be providing examples of common indices for entities to use. These are as follows:

Buildings valued using DRC: BCIS all-in TPI (Tender Price Index) with an appropriate location factor.

Buildings valued at market value and land: No specific example provided, but valuation firms and other real estate firms often publish rental market indices and movements publicly, which reporting entities may wish to use.

Vehicles, plant and equipment: ONS produce price inflation (MM22) tables 4 and 5 (particularly tables 4h, 4i, 4j and 4k, 5c, 5d).

5.24 HM Treasury propose to include the following guidance on indexation in chapter 10 of the FReM:

> The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables, e.g., build costs, rental income etc. The choice of index is a matter of judgement, and that judgement should be made in the context that the purpose of applying indexation is to ensure asset values are adjusted for price and market movements year-on-year. Absolute precision is not expected, neither is it achievable. Entities should ensure the index used provides a reasonable estimate of the movement in the value of an asset from the prior year.

Question 21:

Do you agree with the index examples HM Treasury have provided? If so, why? If not, why not and what alternatives do you propose? Are there any areas in respect of indexation where you think additional guidance might be required?

Impairments

5.25 The requirements of IAS 36 Impairment of Assets are unchanged. Entities will still need to review their asset base for impairment indicators as required by IAS 36. If there are indicators of impairment, the entity would need to calculate the recoverable amount of that asset, which may mean undertaking a full professional revaluation of that asset which has displayed an indicator it may be impaired.

5.26 IAS 36 paragraph 8 states: 'An asset is impaired when its carrying amount exceeds its recoverable amount. Paragraphs 12–14 describe some indications that an impairment loss may have occurred. If any of those indications is present, an entity is required to make a formal estimate of recoverable amount. Except as described in paragraph 10, this Standard does not require an entity to make a formal estimate of recoverable amount if no indication of an impairment loss is present.'

5.27 IAS 36 paragraphs 12-14 set out the indicators entities must consider when determining whether an asset is impaired. The HM Treasury view is that IAS 36 paragraphs 12-14 do not necessarily require entities to undertake full revaluations each year to comply with the standard. For example, IAS 36 paragraph 12a) states if 'there are observable indicators that the asset's value has declined during the period significantly more than would be expected…' The use of the words 'observable indicators' and 'significantly' does create a bar which needs to be met for entities to calculate the recoverable amount of an asset to comply with IAS 36.

5.28 HMT propose to include the following guidance in **chapter 10 of the FReM** is reinforce the fact that entities do not need to undertake a full revaluation to prove there has been no material impairments of assets:

> Undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and comply with IAS 36. Rather, it should be the consideration of impairment triggers which determine whether the recoverable amount of an asset needs to be calculated and therefore whether a full revaluation is needed or not before the next revaluation.
>
> IAS 36 paragraphs 12-14 sets out the indicators entities must consider when determining whether an asset is impaired. IAS 36 paragraphs 12-14 do not necessarily require entities to undertake full revaluations each year to comply with the standard.
>
> As such, HM Treasury do not expect entities to undertake a full, professional revaluation of an asset to demonstrate a material impairment has not occurred.

Question 22:

Do you agree with HM Treasury's proposed guidance to add to chapter 10 of the FReM in respect of impairment reviews? If so, why? If not, why not and what alternatives do you propose.

Question 23:

Do you agree that the proposed FReM amendments reflect the HM Treasury position on non-investment asset valuation as set out in this Exposure Draft? If not, why not? Are there specific areas amendments that you feel require greater explanation or clarification?

Why the amendments are proposed

5.29 The amendments proposed in this Exposure Draft seek to implement the changes affecting Financial Reporting Manual (FReM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets in line with the approach proposed by HMT Treasury.

Effective date of amendments

5.30 The effective date for the proposed amendments is 1 April 2025

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