



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 2024-25 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 2024

1. Appendix 1 lists four 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. 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

20th June 2024

Appendix 1: Amendments or interpretations issued and effective from 1 January 2024

Standard (amendment/ new)	Effective date – beginning on or after (EU adopted or UK adopted as relevant)	FRoM Application?	Summary	Central Government Impact
Classification of Liabilities as Current or Non-current Amendments to IAS 1	1 January 2024 (UKEB endorsed)	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 FRoM is deemed necessary. No public sector adaptations or interpretations are proposed.
Non-current liabilities with covenants Amendments to IAS 1	1 January 2024 (UKEB Endorsed)	To be applied	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders’ concerns about the classification of such a liability as current or non-current	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 FRoM is deemed necessary. No public sector adaptations or interpretations are proposed.
Supplier finance arrangements	1 January 2024	To be applied	Supplier Finance Arrangements amends IAS 7 Statement of Cash Flows to require an entity to provide additional disclosures about its supplier finance	Minimal – should an entity have transactions in scope of the amendments it shall apply

Standard (amendment/ new)	Effective date – beginning on or after (EU adopted or UK adopted as relevant)	FReM Application?	Summary	Central Government Impact
Amendments to IAS 7 and IFRS 7	(UKEB Endorsed)		arrangements. The amendments also add supplier finance arrangements as an example within the liquidity risk disclosure requirements of IFRS 7 Financial Instruments: Disclosures.	the standard as written no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.
Lease Liability in a Sale and Leaseback Amendments to IFRS 16	1 January 2024 (UKEB Endorsed)	To be advised	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions where there are variable payments that do not depend on an interest rate.	Minimal – should an entity have transactions in scope of the amendments it shall apply the standard as written, no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.
International Tax Reform – Pillar Two Model Rules Amendments to IAS 12	1 January 2023 (UKEB Endorsed)	To be applied	International Tax Reform—Pillar Two Model Rules amends IAS 12 Income Taxes. The amendments introduce a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also introduce targeted disclosure requirements for affected entities	Minimal should a central government entity have transactions in scope of this amendment then it shall apply the standard as written. There is no current adaptation of IAS 12 for the public sector. 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
Lack of Exchangeability Amendments to IAS 21 and IFRS 1	1 January 2025 (UKEB currently in progress)	To be advised	Lack of Exchangeability amends IAS 21 The Effects of Changes in Foreign Exchange Rates to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.