



HM Treasury

## Financial Reporting Advisory Board

### IFRS 16 post implementation review update

<b>Issue:</b>	This paper details both the proposed timeline and an update on the progress of the IFRS 16 post implementation thematic review. This paper is for information to provide an interim update.
<b>Impact on guidance:</b>	To be decided upon conclusion of the Thematic Review.
<b>IAS/IFRS adaptation?</b>	N/A
<b>Impact on WGA?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	N/A
<b>Impact on budgetary and Estimates regimes?</b>	N/A
<b>Alignment with National Accounts</b>	N/A
<b>Recommendation:</b>	The Board is asked to note the content of this paper, which is for information. The Board is invited to provide any comments on the review so far.
<b>Timing:</b>	Timing is detailed in the paper

#### DETAIL

##### Background

1. IFRS 16 *Leases* was implemented by FReM on 1 April 2022, with an option for early adoption on 1 April 2021. The length of implementation timeline was due to the size of the impact that the standard had on government financial reporting, the complexity of applying the standard to HMT's budgeting framework and knock on impacts of COVID-19 pandemic.
2. A summary of key activities during the development period can be found in Annex A.

3. As part of the [Government Financial Reporting Review](#), HM Treasury committed to undertake regular thematic reviews of government financial reporting. The Thematic Reviews are intended to both support HM Treasury's statutory role as a standard setter for central government and to support continuous improvement in government financial reporting.

### **Purpose and scope of the review**

4. This Thematic Review will not focus on decisions taken in respect of FReM adaptations and interpretations of IFRS 16; rather, it will review the decision-making process, engagement with users and preparers of accounts, and the effectiveness of communication and guidance about the change.
5. The Review will look to identify areas in central government of good practice and areas for improvement in the process for developing and implementing future adaptations and interpretations of standards.
6. Documents or processes within scope of the review;
  - [IFRS 16 application guidance](#)
  - [IFRS 16 exposure draft](#)
  - [IFRS 16 supplementary budgeting guidance](#)
  - [PPP budgeting guidance](#)

### **Methodology**

7. This review will be formed of an internal, desktop review by HMT and also will include stakeholder engagement during the winter of 2024/25, with a view to the presenting the outcome to FRAB and publishing the Thematic Review in 2025.

#### Preparers

8. Accounts preparers and NAO have been sent a questionnaire that asks for;
  - Reflections on timeliness of documentation given by HMT
  - Reflections on content and sufficiency of the guidance produced by HMT
9. The questionnaire has been sent to departmental Finance Directors and cross-government networks such as the Resource Accounts Special Interest Group and the Technical Accounting Centre of Excellence.

#### Users

10. Users have been sent a questionnaire that asks for
  - Reflections on usefulness of information provided in ARAs
  - Reflections on the public consultation process, via the IFRS 16 Exposure Draft
  - Reflections on IFRS 16 as applied in the public sector in a general sense
11. The questionnaire has been sent to House of Commons Scrutiny Unit and also user representatives in UPAG, along with an invitation for them to be circulate it around their wider network of departmental ARA users.

#### FRAB

12. FRAB members will also be sent a questionnaire. Longer serving FRAB members, who were involved in IFRS 16 adaptation and implementation process will be asked about;
  - The decision making process including discussions FRAB had and the advice FRAB received
  - Reflections on the IFRS 16 Exposure Draft and responses received
  - Decision-making around delays to the implementation date
13. Members more recently appointed to FRAB will be asked reflections on
  - If they have read them, how well decision making on IFRS 16 adaptations and interpretations has been communicated in minutes and papers.
  - Any thoughts or observations on FRAB's decision-making process in relation to the interpretation/application of new standards

**Action so far and next steps**

14. The questionnaires for preparers and users have been circulated around the identified target audience and related networks.
15. Once HMT has gathered and analysed responses to the questionnaire and performed a desktop review of relevant documents, a summary of HMT's findings and actions will be drafted and presented to FRAB, ahead of the publication of a Thematic Review report on gov.uk in 2025.

**HM Treasury**  
**21<sup>st</sup> November 2024**

## Annex A

2016	•Workplan and high level impact assessment presented to FRAB
2017	•Technical working group discussions on the detail of implementing the standard to the sector
Early 2018	•IFRS 16 Exposure Draft (ED) was published
Mid 2018	•Exploration done on budgeting issues caused by misalignment between ESA10 and IFRS 16
Late 2018	•Implementation extended by one year due to budgeting complications. •FRAB discussed proposed adaptations as a result of ED responses. •IFRS 16 application guidance published
2019	•Budgeting agreed •Additional adaptations for peppercorn leases agreed •IFRS 16 budgeting reclassification commission sent to departments
Early 2020	•Implementation delayed by one year due to COVID-19 pandemic
Mid 2020	•Implementation for PPP arrangements delayed
Late 2020	•Implementation delayed by another year due to COVID-19 pandemic •Supplementary budgeting guidance published
2021	•Optional early adoption began •IFRS 16 budgeting reclassification commission sent to departments
2022	•Mandatory implementation •Implementation for PPP assets
2023	•Implementation for PPP with index linked liabilities