



Financial Reporting Advisory Board

IFRS 18 – workstream update

Issue:	This paper provides the Board with HM Treasury's work plan for considering the public sector impact of IFRS 18 and highlights some of the issues expected to be considered by the technical working group.
Impact on guidance:	None at this stage. The FReM and other relevant guidance may need to be updated in due course.
IAS/IFRS adaptation or interpretation for the public sector context?	This will be revisited in a later paper to the Board.
Impact on WGA?	This will be revisited in a later paper to the Board.
IPSAS compliant?	To be determined, based on any adaptations/interpretations.
Alignment with National Accounts	N/A for this workstream.
Impact on budgetary regime and Estimates?	To be determined, based on any adaptations/interpretations.
Recommendation:	The Board agree the approach and work plan.
Timing:	We plan to start engaging with technical working group meetings in June 2025.

DETAIL

Background

1. The International Accounting Standards Board (IASB) has issued IFRS 18 Presentation and Disclosure in Financial Statements. This is expected to be implemented by the private sector effective from accounting periods beginning on or after 1 January 2027.
2. IFRS 18 is not yet endorsed for use in the UK but The UK Endorsement Board is currently actively engaged on considering IFRS 18 and has an active project for its endorsement.
3. IFRS 18 replaces IAS 1, and specifies the format of the P&L, to ensure more consistency between bodies. Income and expenses are to be categorised into the following five categories: operating, investing, financing, tax and discontinued operations.
4. IFRS 18 requires entities to present various specified totals and sub-totals following this categorisation. These required totals and subtotals are as follows: operating profit or loss, profit or loss before financing and income tax and profit or loss for the year.

5. IFRS 18 also requires that certain Management Performance Measures (MPM's) should be disclosed in the financial statements, these are figures meeting the following criteria: not required by IFRS, included in public communications, and communicate management's view of financial performance.
6. At FRAB 154 in November, members shared contrasting views on IFRS 18. Firstly, some members felt like IFRS 18 should be implemented with limited adaptations/interpretations. All bodies have income and expenditure which can be categorised into operating, investing and financing activities. The alternative view was that other categorisations of income and expenditure may be more beneficial to users, and that HMT should therefore conduct a larger project on the standard, with significant adaptations/interpretations likely.
7. We have reflected on this discussion, considering the principle previously discussed by FRAB that IFRS should be followed, unless not appropriate for the public sector. We also noted that current categorisation in the Statement of Cash Flows aligns with the proposed categorisation in the income statement under IFRS 18.
8. Given the above, our initial expectation is that the categorisation as outlined in IFRS 18 is appropriate for the public sector and the standard should be implemented with limited adaptations/interpretations subject to discussion by the technical working group.

Work Plan

9. Our proposed high level work plan can be found in Annex A.
10. We plan to start technical working group discussions in June 2025.
11. Given that bodies will need to update account code mapping to successfully implement IFRS 18 and that comparatives will require restatement, our initial expectation is for implementation of IFRS 18 in 2028-29, one year after the private sector. This would provide entities sufficient time to prospectively change account code mapping. This will however be discussed as part of technical working group meetings.

HM Treasury would like the Board's agreement to the proposed work plan for public sector implantation of IFRS 18.

Issues for Consideration

12. We plan to use the following questions as the basis for technical working group discussions commencing in June 2025.
 - a. Is the categorisation of income and expenses into operating, investing and financing activities appropriate for the public sector?
 - b. Are the totals and sub-totals required under IFRS 18 appropriate for the public sector?
 - c. Are there any transaction types where categorising income and expenses into the above categories are likely to present challenges for the public sector?
 - d. Should HMT be more prescriptive in the required format of the income statement in published templates such as Department Yellow? Would this be beneficial for comparison between entities or should flexibility be maintained?
 - e. Is the definition of MPM's under IFRS 18 appropriate to the public sector? Is this likely to lead to significant additional work for preparers/auditors? Are there any other consequences of this requirement which HMT should consider?
13. The financial year for implementing IFRS 18 will also be discussed by the technical working group.

HM Treasury would welcome views from the Board on the above questions and whether there are any additional areas the Board feels should be included in technical working group discussions.

Recommendation: That the Board agrees to the work plan. We also welcome views on the proposed questions to be included as part of technical working group discussions.

Annex A: High Level Work Plan

Date	Activities
April 2025 – June 2025	HMT prepare for working groups.
June 2025 – October 2025	Technical working group meetings - See 'Issues for consideration' section of paper for more details of questions to be discussed as part of technical working group meetings.
November 2025	FRAB paper: IFRS 18 - Summary of working group findings. Paper to include update following technical working groups and informal consultation on potential interpretations/adaptations for the Public Sector.
December 2025 – March 2026	Technical working group meetings, consider Exposure Draft and Application Guidance.
March 2026	FRAB paper: Exposure Draft and Application Guidance for approval for consultation. Following meeting issue exposure draft inviting comment from stakeholders.
April 2026 - October 2026	HMT consideration of responses to Exposure Draft, consider adoption of the Standards based on the exposure draft and responses.
November 2027	Approve 2028-2029 FReM.
December 2027	Publish 2028-2029 FReM.
1st April 2028	UK Public Sector implementation of IFRS 18