



HM Treasury

## Financial Reporting Advisory Board

### IFRS 16 post implementation review update

<b>Issue:</b>	This paper details the results of stakeholder engagement 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 invited to provide any comments on the review and on the areas of the FRAB questionnaire which respondents had mixed views on.
<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 significant impact that the standard had on government financial reporting, the complexity of applying the standard to HMT's budgeting framework and then further delayed because of the 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.
4. HM Treasury's proposed scope and methodology for this review was presented to FRAB in November 2024 and can be seen in [FRAB 154 \(12\)](#), which included a desktop review and stakeholder engagement in the form of questionnaires.

### **Stakeholder engagement – questionnaire responses**

#### Preparers

5. 41 responses were received from preparers on a variety of questions. Specific comments were given in free text boxes to help provide context to the views of those who did not agree, which HM Treasury are in the process of analysing.
6. The summary of views across the questionnaire were
  - 60-70% of preparers agreed or strongly agreed that
    - the IFRS 16 Exposure Draft was clear, comprehensive and asked appropriate questions.
    - the process undertaken by HMT and publication of guidance on the application of IFRS 16 in the public sector ensured entities were well-prepared for implementation.
  - 50-60% of preparers agreed or strongly agreed that
    - the public sector interpretations and adaptations of IFRS 16 are sufficiently explained in the HMT application guidance and the FReM.
    - IFRS 16 Supplementary Budgeting Guidance provided sufficient clarity on the budgeting treatment.
  - 40-50% of preparers agreed or strongly agreed that
    - 7 weeks was enough time to respond to an impact assessment consultation
    - an Exposure Draft issued approximately 1 year ahead of an intended implementation gave preparers sufficient time to prepare for public sector adaptations
7. For the areas that only 40-50% of preparers agreed with, helpful comments were provided, and the main comment was that timing of consultations during summer recess created pressure due to the concentration of annual leave.
8. Outside of the scope of the questionnaire, preparers have raised concerns through other channels about departmental decision making and how that is being influenced by the standard, specifically the balance sheet treatment of right-of-use assets that didn't exist under IAS 17. HM Treasury are reflecting on these concerns internally to understand how the wider set of Government Financial Reporting frameworks can work together to support robust decision making by departments.

#### Users

9. Three users responded to the questionnaire, which HM Treasury is not content on relying upon to create conclusions.
10. HM Treasury aim to further engage UPAG for views of users. A verbal update of these views will be given at FRAB 155.

#### FRAB

11. We had 8 responses from FRAB members, representing a range of membership types – users, preparers, relevant authorities, auditor and independent.
12. FRAB members most strongly agreed, in the IFRS 16 context, that
  - papers presented by HM Treasury clearly explained the rationale behind proposed interpretations and adaptations.
  - published IFRS 16 guidance and content accurately reflected the feedback provided by FRAB as recorded in relevant minutes.
  - there was appropriate engagement with relevant stakeholders and FRAB had adequate exposure to their views.
13. FRAB had more mixed views on
  - members having sufficient opportunity to express views during discussions.
  - discussions being comprehensive and their decision-making process being transparent.
  - which aspects of adapting IFRS16 that FRAB had most diversity of thought about.
  - challenges created by diversity of thought were easily overcome in discussion.
  - having sufficient time to make informed decisions about the delays to implementation but did not disagree that these were the right decisions in retrospect.

**HM Treasury would welcome discussion from FRAB on the areas that questionnaire results have indicated that there are mixed views on.**

#### **Action and next steps**

14. Consider the detailed comments provided by respondents in both UPAG and FRAB March meetings and create a set of recommendations.
15. Once HMT has gathered and analysed further responses by FRAB and UPAG 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**  
**20<sup>th</sup> March 2025**

## 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