



HM Treasury

Financial Reporting Advisory Board

IFRS 16 post implementation review – FRAB conclusion

Issue:	This paper details the discussion had at FRAB 155 on the IFRS 16 post implementation review and future actions as a result.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	N/A
Impact on budgetary and Estimates regimes?	N/A
Alignment with National Accounts	N/A
Recommendation:	N/A – this discussion summary and actions are for information
Timing:	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 stakeholder engagement in the form of questionnaires.
5. HM Treasury then presented the results of the findings of the questionnaires to FRAB in [FRAB 155 \(09\)](#), with a subsequent discussion focused on the process FRAB undertook during implementation.

Conclusion of FRAB's discussion at FRAB 155 March 2025

6. FRAB raised concern that IFRS 16 is not understood by non-accountants including Estates teams. This is due to the complexity of the standard. FRAB asked HM Treasury to consider what more accountants do to help non-accountants understand IFRS 16.
7. FRAB questioned if Parliament actually use IFRS 16 disclosures in ARAs to make decisions.
8. FRAB recommended recording the logic of their decisions on interpretation and adaptations in a single system outside of minutes and papers.
9. FRAB noted private sector evidence of IFRS 16 implementation resulting in better contract management and so expect this should be the case in central government too.
10. FRAB urged HM Treasury to be clear on the parameters of this review and that reflections on whether the adaptations and interpretations are working as intended are out of scope.
11. FRAB flagged there should be a future review on whether the adaptations and interpretations of the standard are working as intended.
12. FRAB reflected that the complexities of applying IFRS 16 in central government only became apparent during implementation, with lower quality than expected information on leases being a factor.
13. When broadening the scope of a standard, FRAB felt they needed to understand what the implications of that would be upfront. FRAB suggested doing more field testing – this could be a benefit of having pilots or early adopters, to work through complexities.

Action and next steps

14. Include on FRAB's forward workplan a review of the IFRS16 adaptations and interpretations and if they are working as FRAB intended after 5 years of implementation (after 27-28 financial year is completed).
15. Invite CIPFA to discuss the first year of implementation of IFRS 16 (2025-26) in Local Government at either November 2026 or March 2027 FRAB meeting.
16. HM Treasury will draft a document, separate to FReM, that covers all adaptations and interpretations and includes FRAB's basis for them, which will be presented to FRAB for them to consider publishing it.
17. HM Treasury will consider doing more 'field work' when broadening the scope of a standard to fully understand implications. HM Treasury and FRAB should consider the merits of early adoption of standards in a pilot with a few depts, as part of future work plans when more 'field work' is required.
18. HM Treasury will produce an explainer or do some outreach to non-accountants, giving a non-technical explainer of IFRS16, the impact on management decision making and what information you can gain from IFRS 16 disclosures in ARAs.

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