



# Financial Reporting Advisory Board

## *Standard setter update*

Issue:	This paper provides the Board with an overview and HM Treasury's summary of current projects from IPSASB and IASB alongside an overview and summary of recently completed projects.
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?	No adaptations or interpretations proposed at this stage.
Impact on WGA?	None.
IPSAS compliant?	To be determined.
Alignment with National Accounts	No impact on the National Accounts.
Impact on budgetary regime and Estimates?	None.
Recommendation:	For the Board to note, HM Treasury is not proposing any adaptations or interpretations at this stage.
Timing:	Ongoing.

### Standard-setting updates

1. We have reviewed the current standard-setting projects that are active in the workplans of both the IASB and IPSASB. HMT does not propose any adaptations or interpretations for any of the current projects. We will continue to monitor this as projects progress. A summary of our review can be found in Annex A.
2. We have reviewed recently completed standard-setting projects from both the IASB and IPSASB. HMT does not propose any adaptations or interpretations for any of the completed projects. A summary of our review can be found in Annex B.
3. We have provided more detail on three proposed changes to IAS 37 as outlined in an exposure draft issued by the IASB, this can be found in Annex C.

## Annex A: Summary of current standard-setting projects

Body	Work Programme title	Summary	HMT position
IPSASB	Making Materiality Judgments, exposure draft development	The IPSASB approved the Project Brief, Making Materiality Judgements, and a limited-scope Exposure Draft to enhance the consistency of materiality guidance across the IPSASB's literature. The Exposure Draft is expected to be published in Q2 2025.	Will continue to monitor project, no action required at this stage.
IPSASB	Strengthening Linkages Between IPSAS Standards and the GFSM, project proposal	Objective is to help public sector entities maximize the extent to which they can draw on IPSAS Standards-based information in preparing statistical information. The Exposure Draft is expected to be published in Q4 2025.	Will continue to monitor project, no action required at this stage.
IPSASB	Presentation of financial statements, consultation paper/exposure draft	Continue to develop consultation paper, intending to finalise views on different presentation approaches at the next meeting.	Captured in work on IFRS 18.
IPSASB	Natural Resources, exposure draft out for comment	ED was approved in October 2024, proposes guidance that fills a gap in the current literature for naturally occurring items with physical substance that embody service potential and/or the capability to generate economic benefits	HMT judge a separate project is not required given lack of bodies holding natural resources.
IPSASB	Measurement – Application of current operational value, consideration of comments	ED proposes amendments to IPSAS to introduce current operational value in IPSAS 12, Inventories, IPSAS 21, Impairment Non-Cash Generating Assets, and IPSAS	HMT judge no changes required to current reporting requirements; outside current work ongoing on non-investment asset valuations.

		31, Intangible Assets. IPSASB has reviewed responses to the ED and will continue discussions of issues at next meeting.	
IPSASB	IPSAS 33 – Limited scope update, consideration of comments	ED proposes to clarify and restructure existing guidance to help public sector entities adopt accrual basis IPSAS. IPSASB is currently assessing the feedback to the ED.	HMT judge a separate project is not required given lack of bodies moving to accruals-based accounting.
IPSASB	Sustainability climate – related disclosures, consideration of comments	Aims to develop a standard that provides public sector specific guidance on climate-related disclosures. IPSASB has reviewed responses to the ED and will continue discussions of issues at next meeting.	Captured in work on sustainability. HMT responded to the exposure draft.
IPSASB	International statistical standards, ongoing	Review of IPSASB process for considering Government Finance Statistics reporting guidelines during the development of IPSAS.	HMT consider relevant statistical impacts as part of individual projects.
ISSB	Enhancing the SASB standards	The International Sustainability Standards Board (ISSB) is preparing exposure drafts of proposed amendments to a set of SASB Standards the ISSB has prioritised as a part of its work plan.	Captured in work on sustainability.
IASB	Provisions—Targeted Improvements, exposure draft published	ED sets out proposals for three improvements to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. <b>See Annex C.</b>	Will continue to monitor project, no action required at this stage.
IASB	Business combinations, disclosures, goodwill and impairment	In March 2024, IASB published Exposure Draft which proposes amendments to: IFRS 3 Business Combinations—in particular, to improve the information companies	Captured in work on business combinations (Machinery of Government changes).

		disclose about the performance of business combinations.	
IASB	Dynamic risk management	The IASB developed and refined 'core areas' that are central to an accounting model that might enable investors to understand the effect of a company's dynamic risk management.	HMT judge a separate project is not required given extensive narrative already required on risk in the Performance Report.
IASB	Equity method	Exposure draft published in H2 2024.  Proposes amendments to IAS 28 to help apply the equity method of accounting.	HMT judge a separate project is not required given more simplistic nature of investments in the public sector.
IASB	Financial instruments with characteristics of equity	The IASB published the Exposure Draft Financial Instruments with Characteristics of Equity. Aims to address the existing challenges in companies' financial reporting on financial instruments with characteristics of equity.	HMT judge a separate project is not required given limited public sector impact.
IASB	Management commentary	The IASB decided to finalise the project by making targeted refinements to the proposals in the Exposure Draft Management Commentary, published in May 2021.	HMT judge a separate project is not required given extensive narrative already required in the Performance Report.
IASB	Rate-regulated activities	The IASB expects to publish the new Standard in the second half of 2025. The new Standard will replace IFRS 14 Regulatory Deferral Accounts.  Aims to make the financial statements of companies subject to rate regulation more useful and more comparable.	HMT judge a separate project is not required given limited public sector impact.

## Annex B: Summary of completed standard-setting projects

Body	Work Programme title	Summary	HMT position
IPSASB	Other lease type arrangements	Aims to address public sector specific arrangements (concessionary leases, access rights, and other similar/ 'lease-like' arrangements).	No action required at this stage, we will continue to monitor IFRS 16 reporting and feedback from bodies.
IPSASB	Natural Resources – IFRS 6 and IFRIC 20 alignment	IPSASB approved the final pronouncements IPSAS 50 which provide guidance for public sector entities operating in extractive industries.	HMT judge a separate project is not required given lack of bodies holding natural resources.
IASB	Post-implementation Review of the impairment requirements in IFRS 9 Financial Instruments	Concluded that the impairment requirements are working as intended.	No amendments required.
IASB	Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	Concluded that the Standard is working as intended and providing investors with useful information.	No amendments required.
IASB	Business Combinations under Common Control (BCUCC)	IASB's decided in November 2023 not to develop requirements for reporting BCUCCs.	Captured in work on business combinations (Machinery of Government changes).
IASB	New standard IFRS 19 - Subsidiaries without Public Accountability	IFRS 19 issued in May 2024.	Captured in work on IFRS 19.
IASB	New Standard IFRS 18 - Presentation and Disclosure in Financial Statements	IFRS 18 issued in April 2024 with the objective of improving the reporting of performance.	Captured in work on IFRS 18.
IASB	Second comprehensive review of the IFRS for SME's accounting standard	Completed in February 2025, IASB issued 3 <sup>rd</sup> edition of the standard which is substantially revised from the previous edition.	HMT judge a separate project is not required given there is no public sector impact. Work will be done separately on the proportionality of standards for small bodies, starting with the Annual Report.

## Annex C: Proposed IAS 37 changes

### 1. Amendment to the present obligation recognition criteria

To change the timing of recognition of some provisions. The amendments would affect provisions for costs, often levies, that are payable only if an entity takes two separate actions or if a measure of its activity in a specific period exceeds a specific threshold. Provisions for some of these costs would be accrued earlier and progressively instead of at a later point in time, to provide more useful information to users of financial statements. Entities that are subject to levies and similar government-imposed charges are among those that are likely to be most significantly affected by the proposed amendments.

### 2. Amendment relating to the costs to include in measuring a provision

IAS 37 requires an entity to measure a provision at the best estimate of the expenditure required to settle its present obligation. The IASB proposes to specify that this expenditure comprises the costs that relate directly to the obligation, which include both the incremental costs of settling that obligation and an allocation of other costs that relate directly to settling obligations of that type. The aim of this amendment is to clarify that an entity uses the same assessment of costs in measuring a provision as IAS 37 already requires it to use in determining whether a contract is onerous.

### 3. Amendment to the discount rate requirements

The main aim of the proposed amendments to the discount rate requirements is to reduce diversity in, and increase the transparency of, the discount rates entities use in measuring provisions, thereby improving the comparability of their financial statements. Currently, some entities use risk-free rates whereas others use rates that include 'non-performance risk'—the risk that the entity will not settle the liability. Rates that include non-performance risk are higher than risk-free rates and result in smaller provisions

The IASB proposes to specify that an entity discounts a provision using a risk-free rate—that is, a rate that excludes non-performance risk. The IASB proposes not to specify how an entity determines an appropriate risk-free rate, acknowledging that various approaches might be appropriate. The IASB instead proposes to require an entity to disclose the discount rates it has used and the approach it has used to determine those rates. The proposed amendments to the discount rate requirements would affect entities with provisions discounted to reflect the effect of the time value of money. The entities most affected are likely to be those with large long-term asset decommissioning or environmental rehabilitation provisions—typically entities operating in the energy generation, oil and gas, mining and telecommunications sectors.