

Financial Reporting Advisory Board 155th Meeting Minutes

20th March 2025
Commencing: 10:00am

	Item	Presented by	Time	Paper
1.	Welcome & introductions, minutes and matters arising	Chair	10:00	FRAB 155 (01)
2.	Performance reporting in New Zealand	Anthony Heffernan (Audit New Zealand)	10:15	FRAB 155 (02)
3.	Local Government audit – MHCLG update	Rosie Seymour, Ben Robertson (MHCLG)	10:35	FRAB 155 (03)
4.	CIPFA/LASAAC update	Ben Matthews (CIPFA)	11:05	FRAB 155 (04) & annex
5.	ISA 600 – FRC update	James Ferris (FRC)	11:25	FRAB 155 (05)
	Break (10 mins)		11:50	
6.	DHSC GAM update	Vanessa Singleton	12:00	FRAB 155 (06A & 06B)
7.	Sustainability Reporting update	Max Greenwood	12:20	FRAB 155 (07) & appendix
	Lunch (50 mins)		12:40	
8.	Non-investment assets workstream update	Sudesh Chander	13:30	FRAB 155 (08)
9.	IFRS 16 post-implementation review update	Sarah Logsdail	13:50	FRAB 155 (09)
	Break (10 mins)		14:20	
10.	IFRS 17 & RCL's	Sudesh Chander	14:30	FRAB 155 (10)
11.	IFRS 18 workstream update	Sean McCluskey	15:00	FRAB 155 (11)
12.	Machinery of government workstream update	Sudesh Chander	15:10	FRAB 155 (12)
13.	Whole of Government Accounts (WGA) update	Shikha Sharma	15:20	FRAB 155 (13)
14.	AOB	Chair	15:40	Verbal
	Papers to note only			
15.	FRAB strategy, action plan and risk register			FRAB 155 (14)

16.	IFRS Interpretations Committee update			FRAB 155 (15)
17.	Relevant Authority Working Group (RAWG) update			FRAB 155 (16)
18.	User Preparer Advisory Group (UPAG) update			FRAB 155 (17)
19.	MyCSP explainer on pension figures in remuneration reports			FRAB 155 (18)
20.	Other Updates: - Devolved Administrations - Local Government - DHSC - NAO			FRAB 155 (19)

Attendees:

Lynn Pamment
Jenny Carter
Mike Metcalf
Jasmine Mathews
Helen Ward
Alex Knight
Ryan Oliver
Luke Charters, MP
Max Greenwood, HMT
Kim Jenkins

Ian Webber
Ian Ratcliffe
James Osborne
Henning Diederichs
Ben Matthews
Vanessa Singleton
Sudesh Chander, HMT
Sean McCluskey, HMT
Kathryn Allen
Christine Golding

Jennifer Griffiths
Adrian Hannell
Jackie McAllister
Iain Murray
Kevin Pertaub, HMT
Sarah Logsdail, HMT
Andrew Evans, HMT
Elle Richardson, HMT

1. Welcome & introductions, minutes and matters arising

1. The Chair opened the meeting, welcomed attendees, and noted apologies.
2. The Chair introduced new members Adrian Hannell, Henning Diederichs, and Jackie McAllister. The Chair confirmed that Luke Charters MP has joined FRAB as a Parliamentary observer.
3. It was noted that this was the Chair's final meeting.
4. The minutes of the 154th meeting were approved with one discrepancy in the attendee list noted.
5. Matters arising from the previous minutes were discussed, including a desire for better cross-referencing across the agenda.
6. FRAB members requested that an item on local government reorganisation be included on a future meeting agenda, specifically machinery of government changes within a local government context.

Action: HMT to update the FRAB 154 minutes attendee list.

Action: HMT to include local government reorganisation as an agenda item for a future FRAB meeting.

2. Performance reporting in New Zealand

7. A representative from Audit New Zealand provided an overview of performance reporting in New Zealand. The representative noted that the views shared were personal, and not representative of Audit New Zealand or the government of New Zealand.
8. Key points included the challenges of service performance reporting, the importance of meaningful performance measures, and the need for better accountability and transparency. It was stated that in New Zealand that both the Financial Reporting standard and Audit standard are highly principles based, to safeguard against decisions which favour the short term.
9. A FRAB member queried how performance reporting reflects entities' experience of change. The representative clarified that a change in government has negatively affected performance reporting in the short term.
10. Members queried whether the removal of a focus on outputs and outcomes was successful and led to greater reporting consistency. The representative stated that standards may have become too principle based and that they are still seeing significant levels of diversity within reporting.
11. A member asked how performance reporting is used by the House of Representatives. The presenter explained the system of two scrutiny periods per year.
12. FRAB discussed the diversity of user groups for financial reporting. The representative stated that the framework can be disparate and not thoroughly connected, affecting materiality.
13. FRAB discussed short term and long-term materiality, to which the representative stated that long term wellbeing can be deprioritised.
14. The representative explained that departments in New Zealand are incentivised to align their performance measures to allocations of funding. This represents a move away from focussing on materiality and adds to the length of the annual report.
15. FRAB reflected on the tension between long-term and short-term outcomes. A FRAB member discussed how the Wellbeing for Future Generations Act in Wales sets wellbeing objectives and measures outcomes over longer periods, but scrutiny favours outcomes from the last 12 months. The representative confirmed that this difference is echoed in New Zealand.

3. Local Government audit: MHCLG update

16. MHCLG officials provided an update on local audit reforms and the strategy to build back assurance. This included the state of the local audit system, the backlog of audits, and measures to improve the situation (including potential changes to pensions reporting).
17. Key points raised by MHCLG's consultation included the establishment of a Local Audit Office (LAO), changes to financial reporting requirements, and the need for additional guidance and support for local authorities.
18. A FRAB member reflected that it would be preferable to move forward with a clean scope, with some Local Authorities accepting qualifications.
19. FRAB members encouraged MHCLG to engage with Devolved Administrations, as their approach to auditing local administrations did not create the backlog that England's approach did. MHCLG officials confirmed that they are doing workshops and engaging with Audit Wales and Audit Scotland.
20. FRAB members discussed removing pension disclosures from accounts.
 - a. They acknowledged that removing pensions would make ARAs quicker to prepare and audit. The removal of pension disclosures would allow some departments to move to pre-recess.
 - b. Pension valuations carry less significance in the public sector than the private sector.
 - c. FRAB members acknowledged that pension deficits can be distorted, meaning contribution rates have greater real-term consequences.
 - d. They acknowledge that pensions are a significant asset and liability to remove from accounts.
 - e. They queried where this liability would sit within accounts and how pensions will be treated in the long term. MHCLG officials suggested that the pension fund account would be the natural place for pensions to sit, but further work is required. MHCLG officials confirmed that they will return to FRAB with an official proposal about the inclusion of pensions within accounts.
 - f. FRAB sought clarification on whether the removal of pension disclosures would be an interim measure. A FRAB member discouraged interim measures, believing they lead to greater cost in the long term.
21. A FRAB member questioned why some local authorities would take up to five years to reach an unmodified opinion. MHCLG officials explained that this is due to the capacity of private audit firms. MHCLG hopes that most local authorities will reach an unmodified opinion before this. Officials noted that auditors must retain their independence, but the risk profiles of local authorities should be considered.
22. A FRAB member discussed their unease about any efforts to ease financial reporting requirements, as the rigour required for audit should be the same for private and public sectors.
23. A FRAB member commented on the similarity between the LAO and the Audit Commission, to which MHCLG responded that the bodies would be different.
24. FRAB members discussed how MHCLG should target high-risk local authorities for specialised support. MHCLG reflected that they could not ask auditors to prioritise specific authorities.
25. FRAB members discussed whether MHCLG's suggested changes would increase audit capacity, encouraging MHCLG to develop a strategy to work with audit firms to increase public provision. MHCLG officials confirmed that they are developing public provision and developing a workforce strategy.
26. FRAB discussed how to make the audit profession attractive, reflecting that risk for audit firms is too significant while reward is not high enough.
27. A FRAB member urged MHCLG to consider the impact of delays on local authorities facing reorganisation. The official recognised these concerns.
28. MHCLG are to return to FRAB with additional guidance on local audit requirements and costs.

4. CIPFA/LASAAC update

2025-26 CIPFA Code

29. The CIPFA representative presented the consultation for the 2025-26 CIPFA code. The consultation received 46 responses, while a webinar in January had over 100 attendees.
30. The representative explored the feedback received in the consultation. The main theme was advancing the agenda in the context of longer-term reforms, with 69% of respondents agreeing with this approach.
31. Proposed changes from HMT's thematic review on non-investment assets were to be implemented in the same year as the code, which was quicker than usual to aid local authorities. This includes amendments to:
 - a. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
 - b. IAS 16 Property, Plant and Equipment, and
 - c. IAS 38 Intangible Assets.

Treatment of accumulated depreciation

32. The CIPFA representative noted that the Code currently only allows the elimination of accumulated depreciation on revaluation. Under IAS 16, there is also the option for proportionate restatement of accumulated depreciation. The CIPFA representative suggested that the proportionate restatement approach is close to the approach some authorities have been taking when applying indexation. CIPFA proposed to remove the existing adaptation in the Code to allow both approaches, aligning more closely with IFRS and the FReM.
33. FRAB members discussed the following:
 - a. Without elimination, assets and cumulative depreciation balances can grow until they are out of line with the starting asset value.
 - b. This change may create inconsistencies with the agreed approach to infrastructure assets and changes to valuation frequency.
 - c. A FRAB member questioned the necessity of validating this option when some bodies are already applying it. The CIPFA representative clarified that they aiming to reduce the preparatory burden for local authorities.
 - d. CIPFA clarified that the statutory override would continue during the build-back period, with accumulated depreciation to be considered again in the future as part of any long-term solution on infrastructure assets.
34. FRAB gave CIPFA approval for this change.

Infrastructure Assets

35. FRAB members discussed the need for a long-term solution for infrastructure assets, currently carried at historical cost. In many accounts, the data is not sufficient to value assets at historical cost, and depreciation often is not written out when assets are replaced. CIPFA continue to consider a long-term solution, to begin working towards after the build back period.
36. The Board discussed the following:
 - a. The potential to address accumulated depreciation when moving infrastructure assets to DRC;
 - b. The need for uniformity across ledgers and fixed asset registers, without introducing extra complexity;
 - c. The potential implications of indexation compared to formal revaluation; and

- d. The need for further thought on the treatment of accumulated depreciation based on different valuation approaches, while reducing the burden for local authorities and providing options for compliance.
- 37. FRAB members discussed approaches to depreciation that have been used historically and urged CIPFA to use this to inform their approach for local government.
- 38. Alongside approving the change for accumulated depreciation above, FRAB also agreed the following changes in response to the HMT thematic review of non-investment asset valuations:
 - a. The need to revalue assets at least every five years to prevent uncontrolled accumulation of depreciation;
 - b. To reference in the Code that the requirements in IAS 16 para 36 and 38 to revalue an entire asset class within a short period are deemed to have been satisfied by the new valuation requirements.

Changes to Standards and Legislation

- 39. The CIPFA representative explained:
 - a. The adoption of IFRS 17 Insurance Contracts in 2025-26, which will have limited application to local authorities;
 - b. The expiration of the IFRS 9 pooled Investment Fund override at the end of the current financial year, there will be transitional provisions in place for legacy investments in place by the expiry date; until 2029.
 - c. The extension of the infrastructure assets override until 2029.
- 40. FRAB discussed the role of audit committees, with CIPFA agreeing to consider the inclusion of references to audit committee effectiveness in the annual governance statements produced by local authorities. CIPFA will feed this in.
- 41. The consultation didn't include the removal of expenditure and funding analysis (EFA), but it was suggested by some respondents to reduce the burden on preparers and auditors. This was discussed by CIPFA LASAAC and although some board members supported removal on this basis, others felt it provided a useful reconciliation between outturn and the income and expenditure statement. Therefore, overall CIPFA LASAAC determined that the EFA should be retained for the 2025 -26 code, with potential consultation on its removal for the 2026-27 code.

Approval of the 2025-26 CIPFA Code

- 42. The 2025-26 Code was approved in principle by FRAB. CIPFA agreed to circulate any further minor amendments to the 2025-26 code to FRAB.

5. ISA 600: FRC Update

- 43. A representative from the FRC provided an update on the revised ISA 600 standard, explaining the changes that have been implemented.
- 44. FRAB members discussed how this would affect the Whole of Government Accounts (WGA) audit, particularly in the consolidation of transactions. They warned that this could derail the agreed WGA recovery timetable.
- 45. FRAB members noted the ISA 600 implementation has led to discussion between departments and the National Audit Office (NAO) about the treatment of errors identified within component audits, which the NAO is working through. IAS 600 has led to a change in approach to review of component audits for sector consolidations, which is now done on sample basis, leading initially

to conceptual differences in how to extrapolate results and potential differences on the amount of assurance required.

46. Officials from DHSC and DfE raised concerns about large increases to audit fees because of the implementation the new standard. This could also cause accounts to be laid post-recess.
47. Board members warned that additional workload could delay the publication of Annual Reports and Accounts (ARAs).
48. The FRC representative offered to return to FRAB to discuss why audit fees are increasing to such an extent, and to explore how FRC are engaging with audit firms to ensure more consistent treatment.

6. DHSC and GAM Update

49. A DHSC official presented the proposed changes to the NHS Group Accounting Manual (GAM) for 2025-26. Key changes include the adoption of IFRS 17, updates to the measurement of intangible assets, and accounting for social benefits.
50. A FRAB member queried how the reorganisation of NHS England would affect the GAM, which the representative confirmed would be addressed at a later stage.
51. A FRAB member questioned how the Task Force on Climate-Related Financial Disclosures (TCFD) is being reflected in the GAM, to which the official stated that NHS would respond to this at the group level. TCFD disclosures will therefore be covered in DHSC's report rather than the GAM. Local NHS bodies are not required to disclose scope 1,2 or 3 greenhouse gas emissions under TCFD requirements, all other TCFD requirements do apply to NHS bodies.
52. The DHSC official confirmed that the GAM aligns with FReM for IFRS 17 disclosures.
53. The GAM will diverge from the FReM to avoid a two-step approach to valuation cycle changes and await FRAB's decision on Modern Equivalent Assets and land. A one step approach is easier for preparers and auditors.
54. A DHSC official outlined the preparation required before enacting the valuation cycle changes: all NHS sites must become non-alternative sites at the same time, when the quinquennial approach begins.
55. The official outlined that the removal of backdated pay awards from fair pay disclosure calculations would apply to all staff to ensure consistency.
56. FRAB approved the 2025-26 GAM in principle, the DHSC official confirmed any further changes would be shared with the Board.

7. Sustainability Reporting Update

57. An HMT official provided an update on sustainability reporting, including the thematic review and proposed plans for updating the Sustainability Reporting Guidance (SRG). HMT is waiting on Defra's Greening Government Commitments (GGCs) to be published before formalising these plans and publishing.
58. FRAB members urged clarity between TCFD and GGCs from a departmental perspective. Data is collected at the department's busiest time, and some data is not material. This therefore feels like an inconvenience to some departments.

Action: Before finalising, HMT should share with the Chief Sustainability Officer's Group. HMT to investigate the timing of GGCs, and consider which metrics are material.

59. FRAB members welcome a review of streamlining ARAs, due to the time and resource to collect and process data. A more focussed set of reporting requirements will come at the expense of broader set of sustainability information.

60. A FRAB member raised the different approach taken in Wales with the Well-being of Future Generations Act. They suggested this could inform wider sustainability policy in the future.

Action: HMT to map out where all the relevant authorities are with sustainability reporting as part of a future update to FRAB.

Action: HMT to return to FRAB with a plan and timeline for developing sustainability standards in light of external sustainability reporting developments.

8. Non-investment assets workstream update

61. An HMT official presented an update on the non-investment assets workstream, including the plan for a new workstream focussed on the valuation of land within DRC valuation.

62. A member challenged the phrasing of the second question covering whether it is necessary to apply MEA principles to both land and buildings together if they are to be treated as separable under IAS 16, and wanted to ensure that the technical working group discusses whether land should be valued based on its existing size and whether MEA principles will no longer apply to land in a DRC valuation. HMT confirmed this question would be discussed at the technical working group meetings.

63. A member stated that they understand the logic of consistently applying MEA principles to land and buildings, as reporting entities would not acquire land in isolation without the associated buildings.

64. A member commented that, when phrasing the questions to be discussed at technical working group meetings, these should consider how they interact with IAS 16 para 58 and current RICS guidance. If there is an inconsistency between IAS 16 and current RICS guidance, then the question should be framed as how to reconcile the two pieces of guidance.

Action: As part of technical working group discussions, HMT to include a discussion point on how IAS 16 principles on land and buildings being accounted for separately interact with RICS guidance on applying MEA principles to both the land and buildings in a DRC valuation.

65. A member stated the questions need to be clear on whether the workstream examining how land is valued in a DRC valuation also covers infrastructure assets. The member also recommended the technical working group includes representation from the Ministry of Defence and the Department of Health and Social Care as they may be two departments who are significantly affected by any changes to the application of MEA principles to land.

Action: HMT to be clear in the questions discussed at technical working group meetings whether infrastructure assets are within scope.

66. A FRAB member expressed concern that when applying MEA principles to land, assuming the MEA requires a smaller piece of land, you still have an excess piece of land you could do something else with. As such there is an added question of what is done with the excess piece of land, e.g. is it surplus land.

Action: HMT to ensure that technical working group meetings include discussions on how to account for any 'excess' land when MEA principles are applied – specifically in cases where the MEA-defined land area is smaller than the actual land occupied.

67. Another member expressed nervousness discussing hypothetical surplus land as it would not represent the reality as entities may not always be able to realise the value from hypothetical surplus land- if they could realise this value then accounting standards already cover these scenarios.

68. The member also highlighted that MEA principles and site assumptions are understood by preparers and long established in the public sector financial reporting framework.

69. A FRAB member commented that, when developing IPSAS 46, the IPSASB discussed many of the questions being discussed at the FRAB meeting. The FRAB member requested that the technical

working group establish how IPSASB arrived at their conclusions. If HMT decide to diverge from IPSASB's conclusion, then the rationale for doing so should be explained. This includes determining whether MEA methodology is applied from the outset, or whether MEA is used where there is no other alternative method of valuing the asset.

Action: HMT to ensure technical working group meetings take into consideration IPSAS 46.

70. FRAB members expressed concern on the number of technical working groups proposed for the year. A member encouraged the representation of the Department for Transport at the technical working group meetings and to clarify the extent to which infrastructure assets are within scope of any proposed changes to the valuation regime.

Action: HMT to consider the prioritization of technical working groups.

71. FRAB members queried when the NIAV changes would be implemented. An HMT official clarified that HMT would ensure there will be sufficient lead time to implement any changes, particularly if they are significant and complex.

Early Adoption of Intangible Assets Valuation Regime

72. An HMT official outlined considerations around allowing bodies to early adopt changes to intangible asset valuations for 2024-25.

73. HMT clarified that the process for early adoption changes to the intangible assets valuation regime is that the options for early adoption would be included in the FReM, departments wishing to early adopt should request HMT approval first.

74. FRAB approved the early adoption, noting the Board should be made aware where early adoption has been allowed in the past, why early adoption was granted, and reflect on the process and outcomes.

Action: Going forward, HMT to record FRAB decisions about early adoptions and the rationale behind them. HMT to create a record of the historical early adoption of other standards.

Action: The Chair requested HMT to write a short document setting out all the decisions made as part of the non-investment assets thematic review and why they were made so these can be referred to in the future. This should be done at the conclusion of the non-investment assets thematic review.

9. IFRS 16 Post-Implementation review update

75. An HMT official presented the findings from the post-implementation review of IFRS 16. FRAB were invited to discuss results from a questionnaire they had completed which covered FRAB's 'ways of working' during IFRS 16 decision and implementation period.

76. FRAB members discussed that IFRS 16 is difficult to decode for non-accountants and considered what more could be done to aid wider awareness so users would consider IFRS 16 financial reporting information when making decisions.

77. FRAB members expressed an interest in seeing the basis for historical conclusions made by FRAB.

Action: HMT to collate the basis for major FRAB decisions about adaptations to standards, to be made visible to FRAB members.

78. A FRAB member highlighted that there is evidence from private sector that IFRS 16 implementation has resulted in better contract management and would expect the case to be similar in central government also.

79. A FRAB member felt FRAB should reflect on whether the adaptations and interpretations are working as intended later, acknowledging that this was outside the scope of this review.

Action: HMT to include on FRAB's forward workplan an item to cover IFRS 16 adaptations and interpretations effectiveness.

80. A FRAB member suggested when creating an adaptation in future that widens the scope of a standard that there is scope for further field testing - through pilots or early adopters. This would ensure FRAB understand the implications upfront.

10. IFRS 17 and Remote Contingent Liabilities

81. An HMT official outlined challenges on the application of IFRS 17 for remote contingent liabilities and requested views from FRAB members on whether remote contingent liabilities should remain within the scope of IFRS 17.
82. Members raised concerns about the scope of IFRS 17 acknowledging the difficulty of measuring remote contingent liabilities, the discussion focussed on whether various examples of government arrangements would fall under the scope of IFRS 17. Other members commented that they weren't clear on the number of remote contingent liabilities in scope of IFRS 17 and why they are in scope.
83. Suggestions were made to provide better guidance to preparers on the scope of IFRS 17 in central government, including how to assess whether insurance risk exists. FRAB did not support at this stage any further adaptations or interpretations of IFRS 17.

11. IFRS 18 workstream update

84. An HMT official presented the work plan for IFRS 18 alongside proposed technical working group questions.
85. Members discussed the scope of adaptations and the importance of considering user perspectives.
- a. Suggestions were made to pilot the implementation of IFRS 18 and to mock up accounts to identify potential advantages and disadvantages.

Action: HMT to amend technical working group questions, to ensure that where individuals disagree with IFRS 18 presentation, they are asked to provide justification and offer suggestions for other options.

Action: HMT to mock up WGA accounts using IFRS 18 presentation so that FRAB can assess the impact of any changes.

Action: HMT to amend the work plan for IFRS 18 to include pilot implementation and mock-up accounts.

12. Machinery of Government workstream update

86. An HMT official presented the work plan for reviewing public sector business combinations accounting requirements, alongside proposed technical working group questions. Key questions referred to the disclosure of the third SoFP, the use of merger accounting versus absorption accounting, and the treatment of gains and losses on transfers.
87. A FRAB member discussed the need to set out to the technical working group requirements from a budgeting and statistical perspective following a MOG as this is a key consideration.
88. A FRAB member also suggested that this should be looked at from the perspective of the transferor as well as the transferee.

Action: HMT to ensure that the accounting requirements from the perspective of the transferor are considered within the work plan.

89. Members discussed the need for clarity on the scope and the importance of considering the wider system context.

13. Whole of Government Accounts (WGA) update

- 90. An HMT official provided an update on the Whole of Government Accounts (WGA) recovery plan. The plan is for the 2023-24 accounts to be published in July 2025 and the 2024-25 accounts in July 2026.
- 91. The official also noted that the NAO issued a disclaimed opinion on the 2022-23 WGA accounts for the first time due to challenges in local government audits.
- 92. The official presented the short-term plan for the WGA, which detailed the recovery plan previously shared with FRAB members.
- 93. The official also shared long-term WGA priorities, which included: enhancing OSCAR user experience, consolidation systems, and assessing the feasibility of radical changes to achieve faster reporting and/or reforming the WGA product.
- 94. Members discussed the importance of addressing long-standing qualifications and the potential for a radical review of the WGA design and scope.
- 95. Members also reflected on the opportunity to improve the analysis presented in WGA, for example, on whole of government sustainability issues which wouldn't rely on financial returns. Members also discussed segmental reporting opportunities and trends over time.

Action: HMT to reintroduce WGA as a regular item on the FRAB agenda. HMT to provide a further WGA update to FRAB in November 2025, following the publication of 2023-24 WGA accounts.

14. AOB

- 96. The Chair thanked all members for their contributions to FRAB during her tenure. The Chair confirmed that Ian Carruthers (Chair of IPSASB) would be taking over as FRAB Chair. The Chair also noted that the FRAB Vice-Chair, Jenny Carter would be chairing the June FRAB meeting due to the new Chair not being able to attend.
- 97. HMT and the Board thanked the Chair for her contributions to FRAB over the last six years.

15. FRAB strategy, action plan and risk register

- 98. The Board noted the update paper.

16. IFRS Interpretations Committee update

- 99. The Board noted the update paper.

17. Relevant Authority Working Group (RAWG) update

- 100. The Board noted the update paper.

18. User Preparer Advisory Group (UPAG) update

- 101. The Board noted the update paper.

19. MyCSP explainer on pension figures in remuneration reports

102. The Board noted the update paper.

20. Other updates

103. The Board noted the update paper.