



HM Treasury

## Financial Reporting Advisory Board 157<sup>TH</sup> Meeting Minutes

20<sup>th</sup> November 2025  
Commencing: 10:00am

	Item	Presented by	Time	Paper
1.	Welcome, minutes and matters arising	Chair	10:00	FRAB 157 (01)
2.	Reporting cycle update 2024/25	Elle Richardson	10:10	FRAB 157 (02)
3.	FReM 2025-26 in-year update and FReM 2026-27	Sudesh Chander	10.20	FRAB 157 (03) & annexes
4.	CIPFA/LASAAC update	Ben Matthews (CIPFA)	10.40	FRAB 157 (04)
	<b>Break (15 mins)</b>		<b>11.10</b>	
5.	NAO report on accountability of small bodies	Sian Jones (NAO)	11.25	FRAB 157 (05)
6.	MHCLG LAO update	Ben Robertson/Rosie Seymour (MHCLG)	12.00	FRAB 157 (06)
7.	Machinery of government (MoG) change technical working group findings	Sudesh Chander	12.35	FRAB 157 (07) & annexes
	<b>Lunch (35 mins)</b>		<b>12.50</b>	
8.	Non-Investment Asset – Land Valuation	Sudesh Chander	13.25	FRAB 157 (08)
9.	FRAB membership update	Sean McCluskey	13.55	FRAB 157 (09)
10.	IFRS 16 Update	Louise Armstrong	14.05	Verbal Update
11.	WGA update	Shikha Sharma	14.15	Verbal Update
12.	AOB	Chair	14.25	Verbal
	<b>Papers to note only</b>			
13.	FRAB strategy, action plan and risk register			FRAB 157 (10)

14.	IFRS Interpretations Committee update			FRAB 157 (11)
15.	User Preparer Advisory Group (UPAG) update			FRAB 157 (12)
16.	Relevant Authority Working Group (RAWG) update			FRAB 157 (13)
17.	Combined update: <ul style="list-style-type: none"> <li>• Devolved Administrations</li> <li>• Local Government</li> <li>• DHSC</li> <li>• NAO</li> </ul>			FRAB 157 (14)
18.	IFRS 16 Rationale and considerations document			FRAB 157 (15)

#### **Attendees:**

Ian Carruthers  
Jasmine Matthews  
Henning Diederichs  
Mike Sunderland  
Ryan Oliver  
Jill Roberts  
Christine Golding  
Ian Webber  
Adrian Hannell  
James Osborne  
Anthony Veale  
Jackie McCalister  
Kim Jenkins

Jenny Carter  
Ian Ratcliffe  
Stuart Stevenson  
Iain Murray  
Alex Knight  
Conrad Hall  
Kathryn Allen  
David Lyford-Tilley  
Charlotte Goodridge, HMT  
Louise Armstrong, HMT  
Sean McCluskey, HMT  
Sudesh Chander, HMT

Max Greenwood, HMT  
Elle Richardson, HMT  
Claire Garling, HMT  
Andrew Carter, HMT

*Speakers*  
Ben Matthews, CIPFA  
Ben Robertson, MHCLG  
Rosie Seymour, MHCLG  
Sian Jones, NAO  
Shikha Sharma, HMT

#### **Agenda item 1: Welcome, minutes and matters arising.**

1. The Chair welcomed members to the meeting and thanked members for attending introductory meetings.
2. The Chair noted an apology from Mike Metcalf, noting that he had received Mike had shared views on the Non-Investment Asset Valuation paper ahead of the meeting.
3. The Chair noted a declaration of interest as he was still employed by CIPFA during the remainder of his secondment as Chair of the International Public sector Accounting Standards Board (IPSASB) until 31 December 2025. The Vice-Chair will therefore Chair items 4 and 6.
4. The members approved the minutes from the June meeting, noting a concern that an action given to CIPFA, to redraft areas of the Code, should be noted as a formal action. The Board agreed that actions given to other entities should be included in the minutes and action tracker going forward so they can be tracked.

**Action:** June 2025 FRAB minutes to be amended to include a completed CIPFA action to redraft areas of the code where there had been discussion at June FRAB around exchange/non-exchange transactions, binding/non-binding arrangements.

### **Agenda item 2: Reporting cycle update 2024/25**

5. A HM Treasury official provided an update on the 2024-25 reporting cycle. 33 of the 50 bodies laid by HM Treasury laid their reports before the summer recess. The official briefly described qualifications received by departments.
6. The 2023-24 Whole of Government Accounts (WGA) was laid before the summer recess, marking four consecutive years of improved timeliness. However, the accounts remain disclaimed due to missing data from the English local government sector.
7. The Board discussed whether AI and the private sector could be used more effectively to help reduce fraud and error and therefore reduce qualifications on accounts. One FRAB member noted that longstanding qualifications already receive significant scrutiny and analysis of cost-effective controls. The Chair noted that the Board's focus is on financial reporting rather than regularity.

**Action:** NAO to circulate recent NAO and PAC reports and departmental responses regarding regularity qualifications on fraud and error.

8. FRAB members commended WGA's improved timeliness and discussed the missing local government data which led to a qualification. An HMT official noted that while missing data is decreasing, the number of qualified or disclaimed accounts is increasing following the local government backstop.

### **Agenda item 3: FReM 2025-26 in-year update and FReM 2026-27**

9. An HMT official explained the key changes made to the 2025-26 and 2026-27 Government Financial Reporting Manuals (FReMs).
10. The Board approved the 2025-26 FReM, noting the following:
  - a. The accounting treatment for the revaluation reserve for intangible assets transitioning to the cost model in 2025-26 is not mandated in the FReM. The HMT official noted they consulted with a number of government departments on how to account for the intangible assets revaluation reserve in 2025-26, but there was no clear preferred option. The key difference of opinion between departments was certain accounting treatments were highly administratively burdensome for entities with large numbers of intangible assets. HMT therefore decided not to mandate a specific accounting approach for the intangible assets revaluation reserve in 2025-26 and entities should account for the balances under IFRS and the FReM. The Board noted the HMT conclusion not to mandate a specific accounting treatment for the intangible assets revaluation reserve is a practical expedient, allowing entities to account for the balances in the most appropriate way based on their circumstances.
  - b. A Board member commented that the requirements for performance reporting in the FReM requires regular updating. An HMT official noted this was due to government performance indicators and metrics for departments being changed

and drafting of the FReM requirements needed to be specific to ensure entities report against the correct performance indicators and metrics.

11. For changes to the 2026-27 FReM, a member queried whether Greening Government Commitments (GGCs) are still useful, as they may detract from the TCFD disclosures. An HMT official noted that Defra's GGC report will be published, and that departmental focus should be on the five key performance indicators alongside principal risks, previously there was reporting on the full set of GGC's.

**Action:** HMT to include a review of TCFD reporting in a future sustainability update to FRAB.

12. The Board discussed the lengthening of ARAs, and expressed a desire for streamlining.
13. A member noted the inclusion of efficiency reporting and queried the process for including new disclosures in ARAs, with a focus on auditability and comparability. An HMT official noted that new disclosures are often the result of recommendations by the Public Accounts Committee (PAC) e.g. new requirements on efficiency reporting

**Action:** HM Treasury efficiency team to come back to FRAB in March to talk through efficiency framework and what the reporting will look like.

14. An NAO official noted that NAO do not provide assurance on efficiency reporting. The Chair raised that there is a misconception that everything included in ARAs receives full audit assurance.
15. Members discussed the Department of Business and Trade's (DBT) analysis of corporate reporting and agreed there may be similarities or principles that may apply to the public sector.
16. Members queried the volume and proportionality of the staff report and noted that frequent changes to performance metrics make it harder for users to track performance over time.
17. The Board agreed with a HM Treasury recommendation that changes made to the FReM over the previous 3 years should be reviewed as part of the FReM approval process.
18. The Board agreed to publication of the 2025-26 and 2026-27 FReM.

**Action:** HM Treasury to review any changes made to outcomes and delivery plans and reflect any changes as in-year updates to the 2026-27 FReM as required.

**Action:** HM Treasury to return to the Board to discuss proposals on how public sector reporting requirements could be simplified and streamlined.

#### **Agenda item 4: CIPFA/LASAAC Update**

19. A CIPFA/LASAAC official gave an update on the 2026-27 Code of Practice on Local Authority Accounting, including the work of the Better Reporting Group (BRG) and technical amendments following recent consultations.
20. BRG are developing an accountability statement to reconcile local authority funding with its financial statements, intended as a replacement for the Expenditure and Funding Analysis (EFA). However, following mixed consultation feedback, the EFA will be retained for the 2026-27 Code while the new statement is refined for 2027-28.
21. BRG is also exploring a shift toward defined contribution (DC) accounting for the employer accounts of Local Government Pension Scheme (LGPS) members. This aims to reduce reporting complexity and audit delays. A Board member emphasized that pension reporting

issues are systemic across local and central government, so any changes in accounting treatment should be consistent across the public sector. The Board noted concerns that moving to DC accounting might negate the economic reality of pension liabilities.

**Action:** CIPFA/LASAAC to look at providing an update on pensions reporting to the Board with a holistic view of this issue not just focused on local government.

22. The Board also raised the following points about technical amendments in the Code:
  - a. The requirement that an entity has "no remaining obligations" from IFRS 15 paragraph 15 has been omitted in the Code. This is an adaptation to IFRS 15 which isn't present in the FReM.
  - b. The drafting around IAS 20 could be more transparent to clearly set out what the adaptation is.
  - c. While the FReM applies IFRS 8 broadly, in local government its scope is more limited to authorities with listed debt.

**Action:** CIPFA/LASAAC to investigate the wording of IFRS 15, IAS 20 and IFRS 8 in the Code, making any required amendments.

#### **Agenda item 5: NAO report on accountability of small bodies**

23. An NAO official presented their report on the reporting burden faced by small bodies. The NAO and PAC are committed to supporting a more proportionate regime, and the report recommends that HMT explores streamlined disclosure requirements for smaller bodies.
24. An HMT official noted that HMT are supportive of the report in principle, and will build an evidence base to inform future decisions. Key challenges include defining 'small' in relation to entities, Parliamentary views, and audit expectations.

**Action:** HM Treasury to explore options for a smaller bodies reporting regime and bring an update to Board.

25. The Board made the following comments during discussion of the report:
  - a. Audit Scotland will shortly be consulting on the future of public audit in Scotland;
  - b. PACAC should be consulted alongside PAC;
  - c. Audit fees are rising, which requires further analysis;
  - d. Any changes to reporting should consider the requirements of WGA, which may add to smaller bodies' reporting responsibility, and
  - e. Statutory audit may not be required for all smaller bodies.
26. An NAO official noted that NAO are considering expanded materiality ranges.
27. The Board noted that while proportionate reporting is desirable, it must be balanced against public interest and the requirements of wider group consolidation.

#### **Agenda item 6: MHCLG LAO update**

14. MHCLG officials provided an update on local audit reforms and the English Devolution and Community Empowerment Bill. The Bill will establish a Local Audit Office to centralise appointments and streamline audit criteria. The officials gave an update on the progress of the 'backstop' and 'build-back' programmes.

15. Members queried the impact of local government reorganisation on the 'build-back' programme and noted that many authorities have disclaimed opinions, which could result in legacy issues within new organisations. The officials stated that MHCLG are gathering information about the extent of this issue but believe that reorganisation may take resource away from 'build-back' in the short term, it will allow audit to be more proportionate in the long term.

#### **Agenda item 7: Machinery of government (MoG) change technical working group findings**

18. An HMT official set out their proposal to remove a third Statement of financial position in specific circumstances as outlined in the paper. FRAB members were content with this proposal.
19. The official noted that while they had discussed removing merger or absorption accounting, both have been retained based on the reasoning set out in the paper.
20. The official highlighted that the working group had agreed that gains and losses on absorption should be accounted through reserves rather than through the Statement of Comprehensive Net Expenditure (SOCNE), as of 2026-27. These changes will be implemented in the 2026-27 FReM to allow sufficient lead time for preparers.
21. The official noted that HMT will not remove the requirement to restate the Statement of Outturn Against Parliamentary Supply (SOPS) when merger accounting is applied as it would not significantly reduce the burden (though one FRAB member (who was also on the MoG change technical working group) did not agree with the HMT conclusion).
22. The HMT official stated that the accounting requirements for the transferor in a machinery of government change is an adaptation to IFRS and therefore has been added to the IFRS adaptations section of the FReM.
23. The Board held a technical discussion on transferor accounting, urging HMT to clarify wording of the adaptation.

**Action:** HMT to update FReM wording for this adaptation to reflect FRAB discussion.

#### **Agenda item 8: Non-Investment Asset – Land Valuation**

24. HMT officials provided an overview of non-investment assets discussions and reflecting the technical working group view that Modern Equivalent Assets (MEA) principles should be applied to land when depreciated replacement cost (DRC) is the valuation methodology used to value an asset.
25. The Chair noted that it is positive that the MEA approach is aligned with the Royal Institute of Chartered Surveyors (RICS) guidance.
26. A member expressed their view that MEA principles should not apply to land in a DRC valuation. A member raised that when more efficient buildings are built, theoretical excess land should be recognised in some way.
27. Other members were of the view that a DRC valuation under Existing Use Value means it is the service potential which is being measured rather than the actual assets, meaning land on an entity's SoFP can differ from the actual land (this also happens with buildings in a DRC

valuation). These members were also of the view that - as service is provided by both buildings and land - there should be a consistent accounting treatment between both elements.

28. HMT noted that a compromise will need to be reached. The Chair stated that although this issue is challenging, the Board should consider whether there is a strong enough rationale for an accounting treatment that would not align with the RICS guidance.
29. The Board discussed how land and buildings are treated within IFRS, where land and buildings can be viewed as a class of assets.
30. The Board agreed to the HM Treasury proposal to remove the requirement to consider alternative locations in a DRC valuation in the 2028-29 FReM, subject to the below action.

**Action:** HMT to articulate the rationale for why MEA should be applied to land setting out the arguments considered by the Board.

31. A member queried whether early adoption would be permitted for departments, if their valuation point falls before broad adoption. HMT officials agreed to include an early adoption option in the FReM, but early adoption would require HMT approval.

#### **Agenda item 9: FRAB membership update**

32. An HMT official gave an update on FRAB membership, including the recommendations of the FRAB Nominations Committee to give a three-year term renewal to eight members reaching the end of their first term in the next year.
33. The Board noted and agreed to the recommendations.

#### **Agenda item 10: IFRS 16 Update**

34. An HMT official mentioned the below the line paper, which the Board agreed was a concise and articulate summary of the decisions made on IFRS 16.

**Action:** The Board agreed to bringing forward the review of IFRS 16 to 2025-26.

#### **Agenda item 11: WGA update**

35. An HMT official gave a detailed update about the WGA, including the production of the handbook and increasing Parliamentary engagement. The WGA has successfully completed its three-year recovery plan.

**Action:** HMT to provide links to the online copy of the WGA handbook to FRAB members.

36. FRAB members expressed their appreciation for the WGA team, noting their work within a complex technical environment.

#### **Agenda item 12: AOB**

37. The Chair thanked the Board for their input and expertise.

#### **Agenda item 13: FRAB strategy, action plan and risk register**

38. The Board noted the update paper.

**Action:** Invite the audit regulator to a future FRAB meeting.

**Action:** Remove old complete actions from the action tracker.

#### **Agenda item 14: IFRS Interpretations Committee update**

39. The Board noted the update paper.

#### **Agenda item 15: User Preparer Advisory Group (UPAG) update**

40. The Board noted the update paper.

#### **Agenda item 16: Relevant Authority Working Group (RAWG) update**

41. The Board noted the update paper.

#### **Agenda item 17: Combined update**

42. The Board noted the update paper.

43. A member noted LASAAC's work on guidance around infrastructure assets and requested an update on how this contributes to wider debates on this topic.

**Action:** CIPFA to provide an update via email correspondence on LASAAC's work and guidance on infrastructure assets.

44. A Board member noted that Scottish bodies had delays in submitting WGA returns. There are similar challenges in other devolved authorities, who find it difficult to bring timelines forward alongside WGA. An HMT official reflected that WGA's return to the normal schedule has exposed delays in other entities.

#### **Agenda item 18: IFRS 16 Rationale and considerations document**

45. The Board noted the update paper.