HM Treasury

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. At its latest meeting, the IASB was still working through the Exposure Draft for these changes.

Annex A: Summary of current standard-setting projects

Body	Work Programme title	Summary/latest	HMT position
IPSASB	Making Materiality Judgments – phase 2	The IPSASB discussed the approach and the necessary public sector adaptations to develop non-authoritative guidance on applying materiality, which will assist public sector entities in applying materiality when preparing financial statements in accordance with IPSAS Standards. The IPSASB will review an updated ED	Will continue to monitor project, no action required at this stage.
IPSASB	Strengthening Linkages Between IPSAS Standards and the GFSM	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 currently being finalised.	Will continue to monitor project, no action required at this stage.
IPSASB	Presentation of financial statements	The IPSASB approved its Consultation Paper (CP), Presentation of Financial Statements. This CP includes the IPSASB's preliminary views, along with an illustrative Exposure Draft (ED) to develop a new IPSAS Standard to replace IPSAS 1, Presentation of Financial Statements.	Will be captured in work on IFRS 18.
IPSASB	Measurement – Application of current operational value – IPSAS 31	The Board approved the Final Pronouncement, Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement. The IPSASB decided to conduct further research on introducing current operational value in IPSAS 31, Intangible Assets.	Will continue to monitor project, no action required at this stage.
IPSASB	International statistical standards	Review of IPSASB process for considering Government Finance Statistics reporting guidelines during the development of IPSAS. Follows the approval of the latest SNA (2025).	HMT already consider relevant statistical impacts as part of individual projects.
IPSASB	Improvements to IPSAS Accounting Standards, Volume 10	The IPSASB approved amendments to the financial instruments IPSAS Accounting Standards, including guidance on supplier finance arrangements, the classification and measurement of financial instruments, contracts referencing nature-dependent	Will continue to monitor project, no action required at this stage.

		electricity, and other editorial changes in March 2025. In June 2025, the IPSASB approved editorial clarifications in IPSAS 2, Cash Flow Statements, and IPSAS 35, Consolidated Financial Statements. The IPSASB also decided that the potential amendments to IPSAS 40, Public Sector Combinations, will be analysed further at a future IPSASB meeting and potentially issued as a separate narrow scope amendment.	
IPSASB	Climate-related disclosures: Public Policy Outcomes	Phase 2 of the project will develop a separate standard on disclosing climate-related outcomes of public policies.	HMT will continue to monitor this work.
ISSB	Nature-related Disclosures	The standard-setting phase of the project will involve developing disclosure requirements to respond to the needs of investors for information on nature-related risks and opportunities	HMT will continue to monitor this work.
ISSB	Enhancing the SASB standards – phase 1	The ISSB published the Exposure Draft 'Proposed Amendments to the SASB Standards' in July 2025. The Exposure Draft sets out comprehensive amendments to nine SASB Standards. ISSB is now considering the feedback on the ED.	HMT will continue to monitor this work.
ISSB	Enhancing the SASB standards – phase 1 continued	The ISSB published the Exposure Draft 'Proposed Amendments to the SASB Standards and IFRS S2 Industry-based Guidance' in March 2026. Together, these two Eds set out proposed amendments to 12 SASB Standards initially prioritised by the ISSB as part of its project on Enhancing the SASB Standards.	HMT will continue to monitor this work.
IASB	Provisions—Targeted Improvements, exposure draft published	ED sets out proposals for three improvements to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. **See Annex C**.	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 disclose	HMT judge a separate project is not required given

		about the performance of business combinations.	limited public sector impact.
IASB	Amortised Cost Measurement	The IASB aims to make targeted improvements to the amortised cost measurement requirements in IFRS 9 Financial Instruments by clarifying their underlying principles and adding accompanying application guidance.	HMT will continue to monitor this project.
IASB	Risk Mitigation Accounting	The International Accounting Standards Board (IASB) has published the Exposure Draft Risk Mitigation Accounting, which is now open for comment.	HMT judge a separate project is not required given limited public sector impact.
IASB	Statement of Cash Flows and Related Matters	The IASB is developing potential ways to improve the requirements of IAS 7 Statement of Cash Flows.	HMT will continue to monitor this project.
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 limited public sector impact.
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.

Annex B: Summary of completed standard-setting projects

Body	Work Programme	Summary	HMT position
IPSASB	IPSAS 33- Limited Scope Update	Clarifies and restructures existing guidance to help public sector entities adopt accrual basis IPSAS. IPSASB approved the updates to improve IPSAS 33	HMT judge a separate project is not required given lack of bodies moving to accruals-based accounting.
IPSASB	Climate-related Disclosures	The IPSASB approved its inaugural IPSASB SRS Standard, the IPSASB SRS 1, Climate-related Disclosures in December 2025. It provides principles for public sector climate-related disclosures that provide information for improved decision-making and accountability.	HMT responded to the exposure draft on this project but do not plan further work relating to this project.
IPSASB	Natural Resources	The objective of the Natural Resources project is to research and address issues relating to the potential recognition and measurement of tangible natural resources. IPSASB unanimously approved IPSAS 51, Tangible Natural Resources Held for Conservation.	Given other work ongoing HMT judge that a separate project is not required, adoption of an IPSASB standard alongside the existing FReM based framework would add complexity.
IPSASB	Making Materiality Judgements - Phase 1	The Board approved the Final Pronouncement, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework), enhancing the clarity and consistent application of materiality in IPSAS Standards.	HMT judge a separate project is not required.
IASB	Management commentary	In June 2025 the IASB issued the revised IFRS Practice Statement 1 Management Commentary (revised Practice Statement). The revised Practice Statement is designed to support improvements to and greater global alignment in management commentary and similar reports.	HMT judge a separate project is not required given extensive narrative already required in the Performance Report.
IASB	Rate-regulated activities	In May 2026 the International Accounting Standards Board (IASB) issued a new IFRS Accounting Standard to improve financial reporting for entities subject to a specific type of rate regulation. IFRS 20 Regulatory Assets and Regulatory Liabilities replaces IFRS 14 Regulatory Deferral Accounts. IFRS 20 has an effective date of 1 January 2029.	HMT will consider the application (including any adaptations/interpretations required) of IFRS 20 at a future date, with an anticipated effective date for the public sector of no earlier than 1 January 2030.

Annex C: Proposed IAS 37 changes

4. We will review and consider if any further work is required once the IASB takes a decision on the proposed amendments summarised below:

- 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.

- 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.

- 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.