Financial Reporting Advisory Board

IFRS 19

Issue:	This paper sets out the options for applying IFRS 19 in the FReM.
Impact on guidance:	N/A
IAS/IFRS adaptation or interpretation for the public sector context?	Yes as set out in the paper.
Impact on WGA?	None- WGA would not be able to apply IFRS 19 as it is not a subsidiary.
IPSAS compliant?	N/A- no equivalent of IFRS 19 in IPSAS.
Alignment with National Accounts	N/A- as IFRS 19 is a reduced disclosure framework. No changes to underlying accounting.
Impact on budgetary regime and Estimates?	N/A- as IFRS 19 is a reduced disclosure framework. No changes to underlying accounting.
Recommendation:	The Board provides comments on the proposed adaptation to the scope of IFRS 19.
Timing:	If the Board agrees with HMT's approach to applying IFRS 19 in the FReM, HMT plan to implement IFRS 19 in the FReM as the same time as private sector entities can apply IFRS 19, being from financial year 2027-28.

DETAIL

Background

1. IFRS 19 is a reduced disclosure standard issued by the IASB. Disclosures removed under IFRS 19 include some IFRS 7 risk disclosures, IFRS 13 fair value measurement disclosures, IFRS 16 lease disclosures, and IFRS 19 pension disclosures,
2. It is an optional standard. Entities meeting the scope requirements of IFRS 19 may elect to apply the Standard from 1 January 2027 in the private sector. Public sector implementation would typically follow one year later.
3. This paper discusses the options for potentially applying IFRS 19 in the FReM.

What are the IFRS 19 eligibility requirements

4. To be eligible to apply IFRS 19, entities must meet the following criteria (IFRS 19.7):
    a. They are a subsidiary;
    b. They do not have public accountability.
    c. They have a parent producing publicly available IFRS consolidated financial statements.
5. References to 'subsidiary' and 'group' in IFRS 19 have the same meaning as in IFRS 10 (IFRS 19.8).
6. An entity has public accountability if (IFRS 19.11):
    a. its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
    b. it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Do entities following the FReM meet the IFRS 19 eligibility criteria

7. HMT assessment is that entities following the FReM would not be eligible to apply IFRS 19 with its current scoping requirements. This is because:
    a. Due to the adaptations and interpretations to the IFRS framework set out in the FReM, entities with a parent preparing accounts under the FReM framework do not meet the criteria of having a parent who produces IFRS consolidated financial statements. Adaptations to IAS 16 for example mean central government financial statements are not fully compliant with IFRS, so would fail IFRS 19 paragraph 7c.
    b. IFRS 19 cross-refers to the definition of a subsidiary in IFRS 10. However, the FReM adapts IFRS 10 for departments to consolidate entities classified to central government and in the designation order rather than applying the IFRS 10 control requirements. Therefore, the FReM does not use the same definition of a subsidiary as in IFRS 10.
8. Additionally, the concept of public accountability in IFRS 19 does not translate well to the central government context. The IFRS 19 scoping principle focuses on whether an entity has listed debt/ equity or are essentially in the financial asset management sector.

Very few central government entities have listed debt/ equity or are in the financial asset management sector.

Proposed Adaptations/Interpretations

9. HM Treasury considers that the rationale for introducing the standard in the private sector – to avoid subsidiaries providing disclosures that may be disproportionate to the information needs of their users - also applies in the public sector.

10. Adaptations/interpretations of the standard would be required to enable it to apply in the UK public sector. The following adaptation to IFRS 19 is proposed:

    An entity may elect to apply IFRS 19 in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:

    a. It is a subsidiary designated for consolidation into a departmental group

    b. It does not have public accountability (in line with the definition set out in paragraphs 11 and 12 of IFRS 19)

    c. It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with the FReM issued by HM Treasury.

Risks and Likely Impact

11. This adaptation to the standard would allow most public sector subsidiaries to elect to apply IFRS 19. If this is considered too far-reaching, there is the option to apply it to a sub-set of bodies (e.g. bodies below a set expenditure/FTE threshold).

12. IFRS 19 provides several disclosure exemptions across many IFRSs. The disclosure exemptions provided by IFRS 19 which would likely impact entities in central government are exemptions from IAS 19, IFRS 7 and IFRS 13. Examples are provided in Annex A.

13. It is worth noting that for most bodies – particularly smaller bodies - this standard would have a limited impact because IFRS 19 provides exemptions from a relatively limited set of disclosures, and the types of disclosures are less likely to be required in the accounts of smaller and less complex bodies. Refer to **Appendix 2** for an analysis of how IFRS 19 would potentially reduce financial statement disclosures for some bodies:

14. It is not mandatory for bodies to apply IFRS 19. Sponsor departments would usually have the power to direct their ALBs not to apply IFRS 19 if they think it would pose significant consolidation risks.

15. HM Treasury welcomes views from the Board on:

a. Whether the Board agrees that IFRS 19 should be adapted for implementation in the public sector

b. Whether the Board agrees with the proposed adaptation as set out in this paper and, if not, what alternative adaptation the Board would suggest

16. Following discussion with the Board, HM Treasury will consider next steps for consultation on the standard.

HM Treasury

19th November 2026

Annex A

Risk management strategy for hedge accounting (IFRS 7.22A).

Disclosures about effect of hedge accounting on amounts, timing and uncertainty of future cashflows. (IFRS 7.23A-23F).

When explaining credit risk management practices as required by IFRS 7.35F, entities do not need to disclose:

a. how the instruments were grouped if expected credit losses were measured on a collective basis. (IFRS 7.35Fc)
b. how an entity determined that financial assets are credit-impaired financial assets. (IFRS 7.35Fd)
c. entity's write off policy. (IFRS 7.35Fe)
d. how certain requirements relating to modification of contractual cashflows has been applied. (IFRS 7.35Ff)

Market risk sensitivity analysis, methods/assumptions and changes from prior period. (IFRS 7.40)

Transfers between levels 1 and 2 of the fair value hierarchy, reasons for those transfers, and policy for determining when transfer happened. (IFRS 13.93c)

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity. (IFRS 13.93g

Narrative description of sensitivity of level 3 fair value measurement to unobservable inputs. (IFRS 13.93h).

If the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use. 13.93i

Description of risks defined benefit plan exposes the entity to (IAS 19.139b).

Opening to closing reconciliation of the effect of the asset ceiling on the defined benefit pension balance.

Within the other opening to closing reconciliations required by IAS 19 for defined benefit pension balances, entities do not need to specifically disclose the following:

a. Actuarial gains/ losses from changes in demographic assumptions (IAS 19.141cii)

b. Actuarial gains/ losses from changes in financial assumptions (IAS 19.141ciii).
c. Changes in the effect of limiting a net defined benefit asset to the asset ceiling (IAS 19.141civ).
d. Effects of forex changes (IAS 19.141ce)
e. Effects of business combinations and disposals (IAS 19.141ch)
f. Actuarial assumption sensitivity analysis (IAS 19.145).
g. Maturity profile of defined benefit obligations (IAS 19.147c).

Comparative information is not required for the opening to closing reconciliations for:

a. The net defined benefit obligation/ asset, plan assets, defined benefit obligation (IAS 19.140a, ai, aii).
b. PPE (IAS 16.73e)
c. Intangible assets (IAS 38.118e).
d. Investment property (IAS 40.76)

Appendix 2 – analysis of IFRS 19 impact on a small sample of public sector bodies

Entity	**Gross expenditure (£000)**	**Gross assets/ gross liabilities (whichever is higher) (£000)**	**Number of disclosures removed**
Government Actuary Department (GAD)	25,240	11,839 (assets)	1, being the PPE opening to closing reconciliation for the comparative year.
Human Tissue Authority (HTA)	6,585	4,951 (assets)	2, being the PPE and intangible asset opening to closing reconciliation for the comparative year.
Oil and Pipelines Agency	35,940	13,253	3 all of which relate to pensions • Sensitivity analysis of DB pension assumptions. • Reconciliation of asset ceiling. • Asset-liability matching strategies.
The Pensions Regulator	£105,293	£13,743	2, being the PPE and intangible asset opening to closing reconciliation for the comparative year.
Environment agency	2,262,800	£21,577,300	6, being: • PPE reconciliation PY note (which is split into around 3 other tables) • Intangible assets reconciliation PY note.

			• Reconciliation of DB employer assets PY note. • Reconciliation of DB obligations PY note. • Reconciliation of asset ceiling. • Sensitivity analysis of DB pension assumptions.
High Speed 2 Ltd	£58,742	£41,188,483	2, being the PPE and intangible asset opening to closing reconciliation for the comparative year.