

## **MINUTES OF THE 85<sup>th</sup> FRAB MEETING HELD ON MONDAY 19<sup>th</sup> MARCH 2007 AT HM TREASURY**

**Present:** Elwyn Eilledge (Chair)  
Andrew Baigent  
Miranda Carter  
Simon Fiander  
David Heald  
Andrew Lennard  
Nigel Reader  
Anne Rylatt  
John Thornton  
Maureen Wellen  
Kirstin Baker  
Martin Evans  
Russell Frith  
David Hobbs  
Alastair Matthews  
Peter Ryland  
David Thomson  
Kerry Twyman  
Ken Wild

**Secretariat:** Larry Pinkney (Secretary)  
Sarah Solomon  
Christine Ruston

1. The Chairman welcomed everyone to the meeting. Apologies were received from Ian Carruthers (who was substituted for by Maureen Wellen), Christine Daws (substituted for by Peter Ryland), Robert Ffello (substituted for by Simon Fiander), Robin Lynch (substituted for by David Hobbs), Ian Mackintosh (substituted for by Andrew Lennard), Martin Sinclair (substituted for by Andrew Baigent) Alyson Stafford (substituted for by Kerry Twyman), Jeff Tomlinson (substituted for by Anne Rylatt) and Trevor Woolley (substituted for by John Thornton).

### ***Item 1: Minutes of the Last Meeting: Paper FRAB (85)01 and Matters Arising***

2. The minutes of the last meeting were agreed subject to the following amendments:
  - In paragraph 2 the previous amendment should be further amended to read "A working group has been set to look into the desirability and practicality of converging the local authority and central government treatments."
  - In paragraph 13 the statement in the second sentence should be attributed to Kirstin Baker.
  - In paragraph 47 the first sentence should be amended to "Again, the Board felt a discussion of the principles when the Board may permit adaptation would be useful."
3. Last June the Board considered a paper on IAS 38 *Intangible Assets*. At the time it was agreed that the Standard would be applied in full but

that a working group would look into the practical aspects of implementing the Standard. The Secretary provided feedback from the working group that had looked at what the impact is of requiring entities to capitalise intangible assets prospectively, how the intangibles are to be subsequently valued, and what the impact is of requiring public sector bodies to capitalise all internal costs. The working group had agreed that IAS 38 presents no valuation or data capture problems for the public sector assuming that:

- Intangibles are capitalised prospectively, including on first time adoption;
  - Public sector indexation is used to assess depreciated replacement cost, which is to be used as a proxy for fair value; and
  - IAS 38 guidance on capitalising staff costs is clear that only directly attributable costs should be capitalised.
4. The Secretary confirmed that additional wording would be added to the IFRS based FReM to reflect these assumptions.

***Item 2: IFRS Update – Oral Update and Item 3: HM Treasury update on PFI – Oral update***

5. The Treasury announced that the accounts of central government departments and the wider public sector will be produced using IFRS from 2008-09. A public announcement to that effect is expected later in the month and the Treasury proposes to write to Board members to inform them when this has occurred.
6. The Treasury is talking to the Department for Communities and Local Government about how this will affect local government accounting regulations and will also discuss with the Local Authority SORP Board how this will affect local government accounting guidance.
7. Moving to IFRS in 2008-09 means that accounts for 2006-07 and 2007-08 will be based on existing UK GAAP. After they have laid their 2007-08 accounts, departments will need to restate their 2007-08 figures on an IFRS-basis in order that their 2008-09 accounts will comply with IFRS. In practice, departments will be expected to carry out this work in autumn 2008, but that is a matter for departments to discuss with their auditors. The Treasury will be writing to Finance Directors once the public announcement on the move to IFRS has been made and, if Board members would find this helpful, will send them a copy of this letter for information. The letter will list all the IFRS equivalents and give an indication of where departments might need to spend time in evaluating any differences between UK GAAP and IFRS treatments.
8. The Treasury said that the work of the Board would, as ever, be crucial as the IFRS-based FReM is finalised. The Board's forward work

programme should permit the Treasury to achieve its aim of circulating to departments before the Summer recess the draft IFRS based FReM for final consultation. There would, however, be a gap in the draft Manual at that stage – accounting for PFI. With the move to IFRS, the current guidance in both Application Note F to FRS 5 and the Treasury Technical Note will cease to have any relevance. The Treasury is just starting work on looking at what guidance may need to be produced in respect of IFRIC 12 *Service Concession Arrangements* for the public sector context. This work needs to be done in the context of the EU-adoption process for IFRIC 12 and in the light of the work being done by the International Public Sector Accounting Standards Board, looking at grantor accounting in the context of IFRIC 12. The Treasury is unlikely to be able to bring a paper before the Board on this issue until November this year, however it would provide an update on progress in September.

9. Maureen Wellen asked that a formal letter be sent to CIPFA/LASAAC regarding the move to IFRS. The Treasury acknowledged that it needed to give itself enough time to work with CIPFA/LASAAC to meet the timetable, and would write separately to the secretariat.
10. Whilst supporting the move to EU-adopted IFRS for UK central government from 2008-09, David Heald argued that the Treasury was using this adoption decision to kick PFI accounting back into the long grass. FRAB has been discussing PFI accounting under UK GAAP for almost the whole of its ten-year existence. He now expected that the next five years would be spent on PFI accounting under International GAAP. A long process had led FRAB to the brink of recommending that the Treasury withdraw Technical Note 1 and that Application Note F to FRS 5 alone should apply to the public sector client. Under EU-adopted IFRS there is no authoritative guidance for the public sector client and IFRIC 12 applies only to the private sector operator. Experience of off-off accounting under UK GAAP provides no assurance that the implication of IFRIC 12 (i.e. that most PFI assets ought to be on the client's balance sheet) will affect UK practice. The Treasury decision regarding adoption of EU-adopted IFRS effectively withdraws the Technical Note and makes Application Note F irrelevant from 2008-09. Rather than resolve the faults of PFI client accounting, David Heald thought this was likely to create a standards vacuum that would be filled by bad rather than good accounting practice.
11. Ken Wild stated that he understood David Heald's reaction and why he had an immediate sense of frustration after debating PFI for so long, but he encouraged the Board rather to view this as a major step forward both as regards accounting in general, and PFI accounting in particular. The move to IFRS as the core standards on which resource accounting should be based is probably the most fundamental change to be introduced since resource accounting was implemented. It will bring government accounting into line with the country's other most economically significant entities, improving both comparability and

communication. As regards PFI, although IFRIC 12 only directly applies to operators, it will be very easy to extrapolate its requirements, by using the IFRS hierarchy in IAS 8, to give a suitable treatment for government accounting purposes. As the IFRS requirements, both generally and specifically in IFRIC 12, are much more objective in their tests, it should no longer be possible for the confusion which has developed around the wholly subjective material in both FRS 5 and the Treasury Technical Note, to continue under IFRS. Mr Wild's only concern was that the Treasury should not delay producing draft guidance in this area, so as to remove any uncertainty within departments as quickly as possible. Whilst encouraging urgency on the matter of PFI, Mr Wild also stressed that the size of the overall task of moving to IFRS should not be underestimated, and noted the major workload that this would place on the Treasury team. However, he indicated that he believed that 2008/9 was the right point for the move to IFRS, and also that he believed the timetable was certainly achievable.

12. Martin Evans didn't share the pessimistic view expressed by David Heald and stated that the work of the PFI Technical Note working group had had an effect. He felt that the move to IFRS would see the public sector moving forward on an equal basis.
13. It was agreed that a FRAB press notice should be issued following the Treasury announcement and Ken Wild suggested some initial wording. This was agreed by the Board.
14. Anne Rylatt asked if the Treasury was working with anybody on training for the move to IFRS. The Treasury confirmed that it would speak to the National School for Government regarding IFRS training once the Treasury announcement has been made and saw no reason why the NHS should not take advantage of any training the NSG might develop.
15. Anne Rylatt noted that one of the big differences between UK GAAP and IFRS is the amount of disclosures required by the latter. She – and Miranda Carter for Monitor – would like to review disclosure requirements to ensure that the accounts provided only those disclosures that are relevant to the users of the accounts. The Treasury agreed that the relevance of disclosures is important right across the public sector. It was agreed that the Treasury would liaise with Anne Rylatt, Miranda Carter, Martin Evans, and Martin Sinclair to examine the issue and return to the Board once the review has been completed.

**Item 4: Budget Presentation (FRAB(85)04)**

16. The Treasury gave a presentation on the public spending framework: classification, control and the clear line of sight. This covered - principles and history; the national accounts, which are a set of economic accounts based on clearly understood internationally agreed

standards (ESA95); the form and function of the fiscal rules which are based on aggregates drawn from the national accounts; the Treasury budgeting framework which is designed to protect the overall fiscal position and to encourage good management, and the relationship with resource accounts and the Treasury's approach to adaptations.

17. The Treasury felt that where necessary UK GAAP or IFRS standards should be adapted to better align them with national accounts and the fiscal framework in order to provide more useful information to managers who are expected to control spending against budgets based on the fiscal rules and to minimise the burdens on departments; but this should only be done on an exceptional basis and where it was possible without losing the benefits of GAAP based information such as incentives, the general discipline of good financial management and better data quality.
18. Ken Wild acknowledged that some of the international standards provided less satisfactory solutions than the UK standards and felt sympathy with the Treasury position. However the private sector had found itself in the same position when it applied international standards and the new standards were being applied even if the old standards provided a better solution. If the public sector decided to apply adaptations because the UK standard provided a better solution, then it would be applying a different set of standards to the private sector and thus speaking a different language to the rest of the accounting community. Kerry Twyman agreed that it would set a dangerous precedent to diversify on the grounds that adopting IFRS made something too expensive, as it would lead to a credibility issue. The Treasury stated that it thought the differences would be small and would be managerially worthwhile.
19. David Heald stated that the anchor for accruals accounting was GAAP, and now going to be IFRS. He thought that there would be substantial damage caused if public sector accounting varied significantly from compliance with IFRS, and therefore any departures from IFRS should be minimised. He also thought that when considering proposals for accounting divergences that national accounts issues were more persuasive than budgetary issues. Therefore, he was more sympathetic with adaptations that resulted from maintaining the link with National Accounts but only if they were really necessary. Resource accounts should aim to follow IFRS with the minimum number of adaptations to avoid a similar credibility issue that was faced by government accounts in the 1990's.
20. The Treasury explained that budgets aim to align with the fiscal framework, so adaptations to accounting treatment were generally only for the purpose of aligning the information feeding into budgets, i.e. the accounts, with the data feeding into the assessment of the fiscal position.

21. From a departmental perspective, Peter Ryland pointed out that at present it was necessary to maintain different sets of books for accounts, estimates and budgets because of the different requirements and this was inefficient. However Ken Wild said that this was also the case in the private sector, with companies maintaining different sets of records for different audiences. John Thornton questioned why the budgeting treatments couldn't be changed.
22. Treasury explained that the key role of the budgeting system is to protect the overall fiscal position. Therefore aligning the budgeting framework with the accounting framework would introduce fiscal risks if the accounting framework were fundamentally different from the rules governing the fiscal numbers. This had been the case when capital grants and profit / loss on disposal scored to resource budgets, which is why those have switched.
23. Kirstin Baker defended the Treasury's position, saying that the principal user of the accounts was parliament who wanted to be able to refer back to Spending Review and Budget announcements about levels of public spending and departmental DELs and fiscal rules. Russell Coleman added that it was not the Treasury's intention to cherry pick IFRS standards to flatter.
24. Russell Coleman outlined the Treasury's current position on "clear line of sight". This refers to the line of sight between the fiscal framework, budgets and accounts and informs Treasury's approach where the accounting and budgeting systems treat the same transactions in different ways, for example profit or losses on disposal & capital grants, which score to capital budgets as they form part of Public Sector Net Investment (an aggregate from the national accounts), whilst impacting on the OCS in resource accounts. In many cases this doesn't cause significant problems because the transactions are clearly identifiable and so can the impact on the budget is clear. However, if fundamental differences were to arise, such as capitalising interest, recognition of income at different times or due to unrealised gains, then it would be very difficult to separate transactions and so treat differently within the frameworks (interest is always a current distributive transaction in the system of national accounts).
25. There are also issues in connection with the boundary for NDPBs. Treasury is exploring whether it might be possible to extend the accounting and Estimate boundary to include the transactions of bodies within central government that are controlled by their parent departments. But this raised issues around governance and parliamentary scrutiny that Ministers would need to consider.
26. Russell Coleman argued that the FRAB should be open to adapting accounts at the margin to maintain consistency with the national accounts. If resource accounts were very different to the control aggregates then they risked losing their relevance to Ministers, managers within the organisations responsible for controlling public

spending, and to outside observers, including parliament. This was surely not an outcome FRAB would want.

27. The Chairman asserted that the Board was not inclined to agree adaptations unless Treasury could adequately demonstrate why they were necessary. Ken Wild added that there needed to be specific reasons for an adaptation which explained why the public sector was different. Andrew Lennard agreed but said that he felt that adaptations would also be acceptable where they involved an option being eliminated. The Board was clear that the move to IFRS should not be used as a reason for more adaptations.

28. The Chairman thanked the Treasury for the presentation.

**Item 5: IAS 36: Impairment of Assets (FRAB (85)05)**

29. The Treasury presented this paper that was presented previously at the last meeting. It proposed that IAS 36 should be applied in full in the IFRS based FReM subject to an interpretation and an adaptation. IAS 36 is similar to FRS 11. Under IAS 36, unlike FRS 11, impairment losses will not necessarily be charged in full to the profit and loss account but instead first off-set against any revaluation reserve for that asset. The current treatment, under FRS 11, incentivises good management behaviour. The Treasury proposed that the IAS be adapted to continue ensuring this good practice, and to achieve consistency between the National Accounts and accounting treatment. The interpretation is in line with IPSAS 21. At the last meeting the Board was minded to agree the divergence, subject to its further deliberations.

30. Ken Wild stated that impairment in the public sector is not related to cash flows but when the asset is no longer fulfilling policy objectives. Ken was concerned that impairments of assets should not be a disincentive to investment. He was concerned that in some cases this meant that impairments were built into the planning process, or that impairment accounting could disincentivise appropriate management action. He proposed, therefore, that impairments following capital enhancements should be charged against the revaluation reserve balance in the first instance. Anne Rylatt pointed out that Annually Managed Expenditure (AME) cover had been introduced to mitigate impairment charges to the income account that did not result from poor management. She added that, to avoid disincentives in the NHS trust sector, which were not in a position to benefit from AME cover, DH would have to measure NHS trusts' breakeven performance before the effect of any AME-type impairments.

31. Kirstin Baker said that the budgeting rules had been changed to stop departments getting penalised for impairments that were not the result of any management failing.

32. Kerry Twyman said that she could not sign up to the adaptation as outlined in paragraph 30 of the paper, an adaptation to avoid a divergence between accounts and budgets, as it sets an unhelpful precedent. David Heald felt that the divergence was based on dissatisfaction with the international financial reporting standard.
33. The Treasury stated that the proposed adaptation was to align with national accounts where in theory a clear consumption of economic benefit would always score as a cost, and to ensure that managers were called to account visibly, in their main statement of operations, for activity that led to a clear reduction in service potential. Treasury agreed it would resubmit the paper, including specific examples, after considering the views of the Board.

**Item 6: IAS 40: Investment Property (FRAB(85)06)**

34. This paper was postponed until the next meeting.

**Item 7: IAS 41: Agriculture (FRAB(85)07)**

35. This paper was postponed until the next meeting.

**Item 8: Asset Valuation – issues arising (FRAB (85)08)**

36. The Treasury re-presented this paper that had been revised following the 12 February 2007 meeting. At that meeting the Board agreed the amended wording for FRS 15, but asked for additional time to consider the proposals in respect of impairments (FRS 11) and the additional valuation guidance. The paper now addressed the Board's previous concerns and sought approval for the proposed changes.
37. The FReM entry on FRS 11 has been extended to incorporate the definitions of impairments already in the Consolidated Budgeting Guidance. However, in practice the Treasury believes that the classification of impairments between DEL and AME will be policed by the Treasury as part of the routine financial monitoring and as part of the supplementary estimates process (and, probably rarely, as part of the Main Estimates process).
38. The Treasury acknowledged that it might need to come back to the Board on the question of depreciated replacement cost. It has proposed that where DRC is used as the valuation basis, entities should value the actual site from which they operate, with reference to the prevailing use in the vicinity, except where there is a clear and agreed plan to relocate (which might be medium term) when an alternative (notional) site can be used in line with the Red Book.
39. Scotland had raised a question over whether it was appropriate for the FReM to dictate valuation methodology and asked whether this called into question the valuer's professional judgement. However the Treasury confirmed that the proposals had been seen and approved by the Royal Institute of Chartered Surveyors (RICS). The proposals were

a way of limiting the options and achieving consistency without uniformity.

40. The Treasury reported that impairment is a complicated area, with certain movements going through the OCS and others being taken to reserves. Under FRS 11 and FRS 15, impairments should be accounted for through profit and loss where there is a permanent diminution in value as the result of a clear consumption of economic benefits (or, in the public sector context, service potential). Other movements in value will be accounted for through the Statement of Total Recognised Gains and Losses (that is, through reserves). In the public sector, the accounting treatment should follow exactly these requirements – but, in practice, there are some differences, which lead to apparent inconsistencies in the treatment of upward revaluations and downward revaluations. The main difference is that some departments did not establish revaluation reserves at the inception of resource accounting and so had (and some continue to have) no revaluation reserve against which they might set downward valuation movements that are not impairments. There also appears to be a misunderstanding of what an impairment is and what is a revaluation in relation to prices going up and down.
41. The revised text for FRS 11 is designed to clarify the difference between a revaluation and an impairment; tells accounts preparers that impairments should always be charged to the Operating Cost Statement; and explains that an impairment might also result in a movement between reserves (from the revaluation (or donated asset or government grant) reserve to the General Fund or equivalent).
42. Andrew Lennard agreed with the proposals in relation to basing DRC on use of the existing site. However, Kerry Twyman said that Scottish policy was different to Whitehall policy. It was already valuing in a different way and was happy with its current practice that it wants to continue. The proposed changes could have a significant impact on budgets. The Treasury asserted that DRC was meant to be a method of last resort. There was a discussion about valuation based on actual site.
43. Anne Rylatt asked for confirmation that a single account can include assets whose DRC valuations have been reached using different estimating techniques, such as annual indexation or 3-yearly interim revaluations between five yearly full revaluations. This was confirmed. She also asked that accounts should be allowed to include assets whose DRC valuations have been reached using different valuation techniques, such as actual assets or modern equivalents, over the next few years until all assets have had full revaluations. The Board agreed and confirmed that on moving to valuing modern equivalent assets, impairments should be charged initially against any amount in the revaluation reserve for the asset, with the balance taken to the income account. Anne advised that there might be a problem in NHS bodies applying asset valuation changes in 2007/08 due to capital charges

being integral to NHS planning and funding. If so, a request for a one-year delay in applying these changes to the NHS would be brought to a future meeting.

44. David Heald was also worried about inconsistency between departments and felt that there should be further discussion by the Board at a later stage of the variations in treatment. Ken Wild felt that there needed to be further clarification of what an impairment is, i.e. compared to the impairment of genuine consumption.
45. However, John Thornton congratulated the working group. He thought the guidance was clear and that his department would have no difficulty in applying the proposals.
46. There was a discussion of whether the additional VIP 10 guidance should be included in the FReM. Ken Wild felt that the Treasury should avoid interpreting the RICS guidance. Russell Frith felt that the interpretation needed to be included.
47. The Treasury confirmed that it would better define the difference between revaluations and impairments. It will give a fuller explanation of why the previous adaptation should continue and it will rework the guidance on revaluation. In addition, the Board suggested that the Treasury should explain the links to other papers that the Board is considering.
48. The Treasury will return to the Board on this issue, once it has taken its revised proposals back to the Public Sector Valuation Group (PSVG) for further consideration.

**Item 9: IAS 17: Leases (FRAB (85)09)**

49. The Treasury presented this paper which recommended that IAS 17 be adopted in full in the IFRS based FReM. The standard is IPSAS compliant. The broad approach is similar to SSAP 21 Leases. The proposals will have an impact on the public sector balance sheet, although the financial impact will not be material. Most departments are already complying with the disclosure requirements of the standard.
50. The Board agreed with the proposal that IAS 17 be adopted in full in the IFRS based FReM.

**Item 10: Financial Instruments Standards – Oral Update (FRAB (85)10)**

51. The Treasury updated the Board in advance of a paper on implementing Financial Instruments standards that will be presented to the Board at the next meeting in April.
52. The Treasury has been consulting with departments. It has issued three RABIG papers on concepts, the proposals for the inclusion of the standards in the FReM, including a further request for more information

on the financial effects of implementing the standards. Responses to-date from the latest consultation has been disappointing.

53. The Treasury reported that the central funds are still applying the new standards from 2006-07, however ECGD has asked to defer implementation by one year. The Treasury will return to the next meeting, hopefully with more information from departments on their progress towards implementation.

**Item 11: IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds (FRAB (85)11)**

54. The Treasury presented this paper which considered the application of IAS 37 and IFRIC 5 in the IFRS based FReM.
55. IAS 37 was developed at the same time as FRS12. There are no significant differences between the two standards, therefore it is proposed that it will be implemented in the IFRS based FReM on the same basis as FRS 12 and the FReM's current interpretations will be maintained.
56. Related to IAS 37 is IFRIC 1 *Changes in Existing decommissioning, Restoration and Similar Liabilities*. IFRIC 1 has different requirements depending on whether an entity applies the cost or revaluation model under IAS 16 *Property, Plant and Equipment* to the relevant asset. Therefore the proposals on the adoption of IFRIC 1 will be considered alongside IAS 16 at the next meeting in April.
57. IFRIC 5 is more directly related to decommissioning funds. An adaptation was proposed in respect of applying the departmental boundary tests. Ken Wild was content with the paper on this issue on the basis that there aren't any decommissioning funds, but remained concerned about the boundary issue, however, this will be addressed further at the next meeting.
58. The Board agreed the proposals that IAS 37 should be applied in the IFRS based FReM in full and that IFRIC 5 should be applied as adapted.

**Item 12: Review of Resource Accounts – progress report (FRAB (85)12)**

59. This paper was postponed until the next meeting.

**Item 13: IAS 24: Related Party Disclosures (FRAB (85)13)**

60. The Board considered the application of IAS 24 in the IFRS based FReM in December. The proposals included retaining an interpretation that Ministers (including members of their close family) are not regarded as related parties. The Treasury had excluded guidance on

ministers. At the meeting it was agreed that the Board would defer any decision until the Treasury had undertaken further research. The Treasury had returned to the Board having considered the issue from first principles and in order to conclude on the application of IAS 24 to Ministers.

61. IAS 24 defines *Key management personnel* as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including any director of that entity. Corporate governance requirements for departments mean that the minister in charge of a department is responsible for the department's affairs in Parliament; including responsibility for planning, directing and controlling the activities of the department that may be delegated to departmental officials.
62. In practice many departments operate a two tier structure with a "ministerial" board established to monitor progress against strategy and policy and a 'management' board responsible for the delivery of that strategy. In this case the authority and responsibility for planning, directing and controlling the activities of an entity lies with the Accounting Officer and management board. It is also reasonable to assume that the Ministers will not have the power to participate in the financial and operating policy decisions of an entity; instead they will set the framework within which the Accounting Officer will act.
63. Under IAS 24 all Ministers are related parties of the whole of government accounts through their position in government. This could result in onerous reporting obligations. Therefore the Treasury proposed that reference to key management personnel be removed. It also proposed that the standard be interpreted to except normal dealings from disclosure.
64. The Board was not convinced by the arguments put forward by the Treasury. David Heald could see no reason to exclude Ministers, particularly at a time when there was an appetite for disclosures of this kind. Ken Wild questioned why Ministers would want to be excluded from the disclosure. Some departments, such as MOD, already made a disclosure. Martin Evans asked if the disclosure should also extend to non-executive directors.
65. Peter Ryland asked if the disclosure would duplicate information, for instance in the register of interests. However, unlike the register of interests, the disclosure would include transactions.
66. The Board agreed that Ministers are related parties and requested that the Treasury re-examine the proposals for the IFRS based FReM to reflect its view, and resubmit the paper. The Treasury will consider separate wording for WGA purposes. The devolved administrations need to make their own separate decision on the related party disclosure issue. Anne Rylatt felt that the FReM wording should be amended to include private sector entities. The Treasury will consult

with the special advisors on how to resolve this issue, including whether the definition of key management personnel would include WGA; where the disclosure would be for Ministers who had related parties in other departments; whether the disclosures should be narrowed to just include cabinet ministers and whether the proposals would apply across the public sector to include NDPBs.

**Item 14: FRED 40 Accounting for Heritage Assets (FRAB (85)14)**

67. The Secretary presented this paper that asked the Board whether it wished to respond to the Financial Reporting Exposure Draft (FRED) 40 *Accounting for Heritage Assets*. A draft reply had been circulated.
68. FRED 40 was different from the discussion paper that was previously considered by the Board, principally because it allowed entities to value collection by collection rather than the originally proposed all or nothing approach. The Board accepted that the ED represented a compromise and hoped that at the very least it would result in more institutions capitalising something.
69. Andrew Baigent didn't like the inconsistency that the ED presented, preferring the all or nothing approach. He could also see practical problems with most organisations defining their collections as large as possible. The Chairman agreed with Andrew. John Thornton was concerned that the MOD collections were out of the scope of the standard.
70. The Board agreed that it should respond to the paper, concentrating in particular on question 2, that whilst agreeing many of the ASB's conclusions and proposals, it disagreed with the main proposal that practicability should be assessed at an individual collection level. The Board preferred that practicability be assessed at the level of an entity's entire holding of heritage assets.

**Item 15: FRAB Report (FRAB (85)15)**

71. The FRAB report-writing group had met and provided suggestions for amending the draft FRAB report. The latest version of the report was circulated and Board members were invited to let the Secretary have any further comments. The report would be expanded following today's meeting and a more final version circulated in advance of the next meeting on the 24 April.

**Item 16: Forward Work Programme (FRAB (85)16)**

72. The forward work programme was circulated. Several items from this meeting, including those that have been deferred, will return to the Board at a later date.

**Date of the Next Meeting**

73. The Board confirmed the dates of the next meetings as:

Tuesday 24<sup>th</sup> April 2007  
Wednesday 6<sup>th</sup> June 2007