

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org



CODE 20/21: IFRS 16 LEASES

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Code 20/21 Plans: Other Key ITC Plans

SCA Liability Measurement	HMT recently indicated central government practices not anticipated to change. IFRS 16 basis no longer anticipated. FRAB discussion on public sector approach. IAS 17 Basis agreed.
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IFRS 16 Leases Implementation CIPFA/LASAAC Discussions

School buildings under 'mere licences'

- Adaptation to include 'nil consideration' arrangements may now include these
- Stakeholder exercise in 2013-14 re control of schools & assets
- IFRS 16 application requirements & stakeholder engagement prior to Code finalisation. FRAB discussion. **Public sector wide. Working group.**

HRA Tenancies

- Planned adaptation to exclude HRA tenancies from Code IFRS 16 application. FRAB discussion. **IAS 17 application. Evidence requested.**

Nil consideration adaptation for lessee only

- Planned to restrict the 'nil consideration' adaptation to lessee arrangements only. **FRAB discussion re public sector consistency. Evidence requested.**

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IFRS 16 Leases Implementation CIPFA/LASAAC Discussions

Nil consideration leases: transition identification

- Identification on transition anticipated
- FRAB discussion re public sector consistency- **Identification on transition.**

Valuation transition

- Permit optional revaluation of existing finance lease assets on transition. FRAB discussion. **Clarified that revaluation is post transition entry.**

Valuation Requirements at 31/3/21

- Revaluation of previous finance lease right-of-use assets potentially required

Nil Consideration R-o-U assets on transition

- Allow measurement at current value if fair value determination not commensurate with benefits to users

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IFRS 16 Leases Implementation CIPFA/LASAAC Discussions

Valuation: reversion to cost model

- Clarification that where a previously revalued asset reverts to the cost model, the cost model should comply with IFRS 16

Disclosure requirements

- Emphasise that disclosures re short term lease commitments and R-o-U asset revaluation details should not obscure material information

Cost Model: Decommissioning Obligations

- Confirmation that the cost model includes changes in decommissioning obligations

Other Amendments to reflect IFRS 16

- Other amendments to clarify the requirements of IFRS 16 eg lessor treatment of lease modifications

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IFRS 16: Evidence for FRAB Your Assistance Requested!!!

Schools 'Mere Licences'

Working group being established
Evidence base from authorities helpful eg WHAT information do users need re such properties and WHY, no. of instances for your council, approx. underlying asset value, which trusts/bodies, anonymised (redacted) copy of mere licence agreement, impact on financial & asset management (eg capital planning).

Applying 'nil consideration' adaptation to lessee only

Evidence base from authorities helpful eg WHAT information do users need re lessor arrangements with nil consideration and WHY, no. of instances for your council, approx. underlying asset value, impact on financial & asset management (eg capital planning), examples helpful, crucially HOW many (& value) would be finance leases?

HRA tenancies exclusion from IFRS 16 application

Information helpful re: WHAT information do users need re HRA tenancies and WHY; different tenancy types in each area (E/S/W/NI); average length of tenancy per type; blank copy of tenancy agreement per type; profile of each type of tenancy (eg % split of HRA tenancies per type); **rights of authority to substitute asset/housing provided;**

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