

report

Paper CL 07 11-18 (c)

Board	CIPFA/LASAAC
Venue	CIPFA, Mansell Street, London
Date	6 November 2018
Author	CIPFA Technical Managers
Subject	IFRS 16 Leases – Impact Assessment Feedback

Purpose

To provide feedback from work undertaken relating to an Impact Assessment of the Code proposals to implement IFRS 16 Leases.

1 Content of Paper

1.1 This paper includes

- Impact Assessment Feedback
- Feedback from CIPFA Finance Advisory Network
- Feedback from a meeting with the External Audit Community.

2 Impact Assessment

Process

2.1 To ensure that the full range of circumstances and situations was potentially considered, CIPFA liaised with representative councils as follows:

English county council

English district council

English fire and rescue service

English police force

English metropolitan borough council

London borough council

Northern Irish council

Scottish council

Welsh council.

- 2.2 CIPFA Technical managers were assigned to support participating authorities. CIPFA also discussed some implementation aspects with valuation professionals and leasing experts.
- 2.3 CIPFA greatly appreciates the significant time and effort that all parties devoted to this exercise. This report does not identify, nor seeks to support identification, of the councils or parties which participated.
- 2.4 Different councils were able to support engagement to different extents. Some councils indicated that staff time available did not allow for full participation. This may indicate the extent to which some councils may face resource challenges for full implementation.
- 2.5 Each council was provided with an evidence framework document which referenced the Code proposals and requested feedback on elements of these. The framework was intended to support a step by step approach for participants. The key sections were:
- A. Baseline information – leases and service concessions arrangements at 31 March 2018
 - B. Identification of leases under IFRS 16, including the recognition exemptions
 - C. Transition and Initial Recognition
 - D. Subsequent Measurement
 - E. Disclosure
 - F. Service Concession Arrangements
 - G. Other Aspects (Benefits, Prudential Code, Group Accounts etc)

Feedback

- 2.6 An analysis of key elements of the responses has been undertaken and will be provided to CIPFA/LASAAC members on request. A summarised indication of the analysis is provided below. The responses have been classified in terms of:
- Accounting Aspects
 - Practical / Workload Aspects
 - Financial Impact.
- 2.7 Accounting Aspects raised include:
- 1 Only a small number of participants appeared to include provisions for restoration and removal.
 - 2 IFRS 16 requires additional information compared to IAS 17 *Leases* / IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (eg information relating to rent reviews).

- 3 The assessment and application of materiality judgements under IAS 17/IFRIC 4 may affect the evidence readily available to support transition to IFRS 16. For example existing evidence for disclosures concerning operating leases and IFRIC 4 assessments may vary between authorities.
- 4 The treatment of 'roll forwards' lease extensions (ie extension of lease for an additional period usually 12 months, but possibly on a recurring basis) when identifying the lease term.
- 5 Low value asset exemption, particularly the acceptability of linkage to capital de minimis levels, bulk equipment arrangements (eg laptop replacement schemes), and materiality considerations.
- 6 Concessionary leases: low rents can arise for a variety of reasons, including restrictive covenants, which may not also be a 'donation' under the current provisions of the Code's adoption of IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.
- 7 Materiality consideration and assessment.
- 8 Inter-public sector leases can be anticipated to occur, for property and other assets (including assets under shared arrangements). Some will be at peppercorn rents.
- 9 Discount rate identification: ability to refer to PWLB / incremental rate if implicit rate not identified.
- 10 Discount rate for transition: due to the current low interest rate environment measuring a liability on the transition date using the discount rate on that date may overstate the liability compared to using the rate which would have applied on the start date of the lease.
- 11 Concessionary leases: use of other public sector assets for free (no charge) will make the identification of leases difficult, given potential lack of information of these arrangements.
- 12 Frequency of assessment of restoration obligations.
- 13 Reversal of lease liability re-measurements impact on the Capital Adjustment Account (*Comment: this is considered to apply as per existing arrangements*).
- 14 Use of cost as a proxy for valuation.
- 15 Disclosure limitations to minimise clutter in the accounts.
- 16 Service Concession Arrangements (SCA) (PFI etc): indexation may be more frequent than annually.
- 17 SCA / PFI Lifecycle capital costs – additional assets for an additional charge could constitute a modification.
- 18 Group accounts: the timing of the consideration of the

implementation of IFRS 16 in current UK GAAP (FRS 102) will result different accounting policies being used for leases within groups.

- 19 Implications for Housing Revenue Account (HRA) (some of these are likely to be ameliorated as a result of the revocation of the debt limitations in England on 29 October 2018).
- 20 Complications arising where leases are used as part of shared services/asset arrangements.
- 21 Leasing of school's assets to academy trusts (*Comment: this is considered to remain unchanged from the position under existing arrangements*).
- 22 Lessor treatment of indexation or rent review changes.
- 23 Explanation of the changes, including PFI liability changes, to both internal and external stakeholders.

2.8 Practical / Workload Aspects raised include:

- 1 Staff time input (finance and others) is expected to be significant, since reading and analysing the terms and conditions of individual leases is generally expected and some councils have a significant number of leases.
- 2 Key requirement to involve and train other colleagues out with Finance (eg procurement, estates, IT, legal etc) in IFRS 16 compliance, with establishment of communication processes and procedures to enable the identification of leases on implementation and thereafter.
- 3 Lease register development or acquisition to comply with IFRS 16 requirements, dependent on Code specification.
- 4 Challenges in estimation of restoration and reinstatement obligations, particularly affecting the time point at which reliable estimates can be determined.
- 5 Significant increase in valuation requirements due to anticipated volume of property operating leases being recognise right-of-use assets.
- 6 Consideration of principal / agency status in subleasing situations (eg car lease salary sacrifice).
- 7 Lease accounting expertise may not always be available, especially where the council currently holds a limited number of finance leases.
- 8 Access to historic records and agreements may be challenging (eg from archives) especially where councils have merged or restructured.

- 9 Data cleansing of existing records may be needed.
- 10 Co-operation of other departments and schools is vital.
- 11 Low value asset exemption application will significantly impact on the volume of work.
- 12 Low value asset exemption: for some assets identifying a value when new may be challenging.
- 13 The terminology and layout of leases are often not always easily interpreted for the application of accounting standards.
- 14 Concessionary leases: market equivalent rents are not always available.
- 15 Assessment of whether extension clauses will be exercised is challenging and dependent on advice from service managers.
- 16 Early preparation is regarded as advisable.
- 17 Ledger coding and asset register changes potentially required, eg to capture information for disclosures.
- 18 WGA mismatch and elimination of transactions.

2.9 Financial impact aspects raised include:

- 1 Possible that some sub-lease income (rentals) will switch from being revenue to capital (principal element, capital receipt) and interest (revenue income).
- 2 Provisions for dilapidations and restoration etc may be recognised earlier, however, in practice early reliable estimation of obligations may not always be regarded as possible.
- 3 Costs of changes to, or purchase of, lease register systems and asset registers.
- 4 Staff time, or use of external resources, in analysis of lease contracts (both on transition and ongoing) and calculation of lease liability etc.
- 5 Costs and time of training staff (finance and other professions eg procurement etc).
- 6 Application of statutory requirements in all administrations will be relevant.
- 7 Potential cost of valuations (either in house use of time or use of external resources). (*Comment: implementation proposals affect and mitigate the extent of resources and the consideration of cost - benefit balance*).
- 8 Potential cost of engaging with leasing advisors.

- 9 Increased staff time (all professions) anticipated in monitoring and managing leases.
- 10 Capitalisation of initial direct costs may increase pressure on capital budgets (materiality not established).

3 Feedback from CIPFA Finance Advisory Network

- 3.1 Feedback from CIPFA events has also provided an indication of the impact of implementation. This feedback is considered to agree with and further support the impact assessment exercise findings. Participants requested clear and timely confirmation of implementation plans, including the implementation date.

4 Meeting with the External Audit Community

- 4.1 During the impact assessment process CIPFA Technical Managers met with External Audit community stakeholders. Open discussion and dialogue was helpful with the following key elements arising.

Audit approach

- 4.2 Auditors are anticipated to request evidence that IFRS 16 has been correctly implemented, including evidence of the process and judgements undertaken by an authority. This could be expected to include details of the process followed, the controls in place and the governance reporting arrangements.
- 4.3 Auditors noted that in the event that there were concerns regarding compliance with the existing IAS 17/IFRIC 4 requirements, a focus on lease accounting in 2018/19 accounts may arise.

Implementation by clients

- 4.4 In order of priority, key areas identified by auditors for the implementation of IFRS 16 included:

Completeness and accuracy of records

Governance:

- project management
- ownership
- systematic process
- multi-discipline approach / involvement (eg procurement etc)
- councillor involvement.

Preparation of an accounting treatment paper by an authority

Subsequent measurement of Right of Use Assets

Audit sampling

- 4.5 Auditors noted that use of 'ad hoc' spreadsheets for each individual lease could require substantive testing in order to check whether an authority is complying with IFRS 16. A consistent controlled standard process (eg central lease register software) would be preferable as this would allow a system based audit approach and the testing of key controls rather validation on an individual basis and therefore minimise audit resources.

Risk assessment

- 4.6 Auditors noted that Code specification of the cost model for right-of-use assets would entail less risk regarding verification of balance sheet figures.
- 4.7 Council's may focus largely on operating lease identification when implementing the standard. However, there was concern that they should not omit consideration of other aspects (eg rent review, restoration obligations). Senior management support will be important.

Other aspects

- 4.8 Other aspects raised included the timing of CIPFA/LASAAC decisions, the importance of early guidance, the need to communicate with other professions (eg procurement, estates staff, valuers etc), the availability or scarcity of staff with lease expertise and the depth or scarcity of resources in councils for implementation.

Recommendation

CIPFA/LASAAC is requested to consider and provide any comments on the IFRS 16 Leases impact assessment feedback provided above.

A. Initial Information – Leases as at 31/3/18			Appendix A	
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Existing Finance Leases(lessee) 31/3/18	<ul style="list-style-type: none"> • Some councils have no finance leases • One council peppercorn rent for property (£0 MLP, NBV £6.4m, 93 years remaining) • Some have significant plant & equipment on leases • Many have leases from other public sector bodies 		
2.	Operating Leases (lessee) at 31/3/18	<ul style="list-style-type: none"> • Some councils have significant number and value of assets on operating leases (including property, plant & equip, vehicles, IT etc) • One reported ground rental for 125 years • Treatment of shared services raised (eg control room, fleet maintenance etc) • Some peppercorn rents • Some leases from other public sector bodies 		
3.	Investment property held on lease 31/3/18	<ul style="list-style-type: none"> • Less common, one authority had some 6 asset carrying value £8m 		

A. Initial Information – Leases as at 31/3/18				Appendix A
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4.	Subleases at 31/3/18	<ul style="list-style-type: none"> • Car leasing schemes highlighted • Other subleases can be material, but some at peppercorn 	<ul style="list-style-type: none"> • One authority noted identification of subleases not always clear • Note that consideration of whether the authority is principal or acting as agent (per IFRS 15) may be indicated. This may particularly affect car lease schemes. 	<ul style="list-style-type: none"> • Possible that some sub-lease income (rentals) will switch from being revenue to capital (principal element, capital receipt) and interest (revenue income)
5.	Finance leases (lessor) with rent reviews / indexation 31/3/18	<ul style="list-style-type: none"> • Mainly identified as relevant to property leases • The proposed accounting treatment was noted as being open to clarification regarding re-measurement (impact of indexation / rent reviews on lease payment assessment) 	<ul style="list-style-type: none"> • Records need to be identified • Lease registers could be need improved to record this 	
6.	Service Concessions (PFI/PPP)	<ul style="list-style-type: none"> • Significant values reported, mainly relating to schools • Noted that in England some school properties have been transferred and are leased to academies 		

A. Initial Information – Leases as at 31/3/18				Appendix A
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7.	Restoration obligations, dilapidations etc	<ul style="list-style-type: none"> Few reported existing provisions (unless at end of the lease period) 	<ul style="list-style-type: none"> Lease register amendment to track dilapidation clauses / reviews etc. Challenges in estimating restoration etc obligations. Legal application of landlord and tenant act 1927 section 18 https://www.legislation.gov.uk/ukpga/Geo5/17-18/36/section/18 landlord discretion dependent on future use of property. Valuer caution regarding early estimation – generally not possible until end of lease / negotiations commence 	<ul style="list-style-type: none"> Potential impact on transition but indications that in practice provision criteria may not be met until nearer end of lease term (unless clear evidence of major damage eg fire, water flooding etc)

A. Initial Information – Leases as at 31/3/18				Appendix A
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
8.	Other considerations	<ul style="list-style-type: none"> Information currently retained for IAS 17 / IFRIC 4 etc compliance is not sufficient for IFRS 16 compliance (eg treatment of rent review / indexation) 	<ul style="list-style-type: none"> Lease register system likely to be required by larger authorities Involvement and training of other professions vital (eg legal, procurement, estates, valuers, IT etc) Development of lease registers dependent on final specification in Code Asset register changes may be needed eg to identify leased assets Requirement to review each lease (since often not the same t&cs or same format) is significant Staff time (finance & others) input will be significant Requires lease expertise (not available in some councils) and awareness of authority lease history etc Re-organisation will have affected the availability of historic asset & lease details for some councils – reference to archives may be required 	<ul style="list-style-type: none"> Cost of changes or new systems re lease registers/ asset registers Diversion / cost of staff time or external resources to undertake analysis of leases Cost & time of training staff (finance & others)

B. Lease Identification Under IFRS 16				Appendix B
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Reliance on IAS 17 / IFRIC 4 etc compliance (grandfathering)	<ul style="list-style-type: none"> • Some authorities content that they are complying with existing requirements • Emphasis on good working papers • Reliance on external audit process • Others indicated some concerns re existing compliance (mainly completeness of lease register particularly regarding operating leases, schools, and IFRIC 4) • IFRIC 4 compliance concerns noted 	<ul style="list-style-type: none"> • One council identified some discrepancies between finance and estates service records (eg where lease extensions utilised & finance not notified) • Additional work anticipated to 'data cleanse' and reconcile existing records before IFRS 16 • Schools : one council noted 50% return rate re school data, estimated 'grossing up' undertaken with audit agreement • Particular review of service contracts / shared service arrangements may be required re IFRIC 4 	
2.	Short term life exemption	<ul style="list-style-type: none"> • Application to 'roll forward' arrangements raised (eg often roll forward for next 12 months only) 	<ul style="list-style-type: none"> • Possible significant work to identify leases which will be exempt 	

B. Lease Identification Under IFRS 16				Appendix B
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3.	Low value asset exemption (principle)	<ul style="list-style-type: none"> Clarification requested that low value assets (individual basis) would be exempt even if material in aggregate Noted that exemption could see 100 laptops exempted from capitalisation whereas a bulk purchase of 100 laptops would be capitalised (if total > de minimis) Confirmation that networked laptops exempt sought Some land asset may be included Expected to apply to personal protection equipment 	<ul style="list-style-type: none"> Application of materiality criteria queried Approach will affect volume of leases / asset information required to be held on systems; and the volume of accounting adjustments (eg split principal / interest) required Difficult to establish value when new (eg for some land, also where the leased asset is a refurbished asset, RRP is not generally regarded as appropriate / reliable, multiple assets may be involved) 	<ul style="list-style-type: none"> Application presumably will affect Prudential Code / CFR Application of statutory mitigation in all administrations will be a factor
4.	Low value asset exemption (determination)	<ul style="list-style-type: none"> Consistency with capital de minimis suggested by many De minimis suggestions ranged from £5k to £50K Queries raised re audit expectations Example assets expected to be exempted (nb not total just isolated council returns): eg MFDs 184, personal protection equipment MLP £1.12m, plant & equipment (169 leases) 		

B. Lease Identification Under IFRS 16				Appendix B
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5.	Identifying an 'embedded' lease	<ul style="list-style-type: none"> • Several contracts may potentially need to be analysed • Treatment of social care home contracts queried • Shared service arrangements can be affected 	<ul style="list-style-type: none"> • Significant practical / volume challenge in analysing contracts • Information on identification of asset and right to direct not always clear 	<ul style="list-style-type: none"> • Potential cost of leasing advisor / expert to review future contracts (eg waste management)
6.	Concessionary leases	<ul style="list-style-type: none"> • One council suggested main focus should be 'peppercorn' rentals • Low rents may occur / arise due to different reasons – not always a gift / donation (eg may be tied to specific criteria) • Restrictive covenants (eg re use / disposal) may apply which would explain the low rent and may therefore not be a 'donation/ grant' • Maintenance clauses may explain the 'low rent' 	<ul style="list-style-type: none"> • Challenges in applying the proposed definition – when is a 'good deal' (well negotiated) determined as 'below market rent'? • Market equivalent rents not always available given the specialise/unique nature of many donated assets • Not always clear whether the rent would have been below market rent at the start date (may be hard to identify) 	<ul style="list-style-type: none"> • Potential cost of valuations
7.	Lease term	<ul style="list-style-type: none"> • Treatment of 'rolled over' leases (usually < 12 months non-cancellable) queried • One council identified some properties rolled over for several years (eg 10) after initial period 	<ul style="list-style-type: none"> • Treatment of 'rolled over' leases • Difficult to assess if extension clauses will be exercised / requires estates advice • Changes in lease term not always notified to finance • Exercise of extensions is not always centrally recorded • Systems and processes to ensure changes in lease term are captured are required 	

B. Lease Identification Under IFRS 16				Appendix B
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
8.	Other considerations	<ul style="list-style-type: none"> • Materiality is an important consideration • Extent of work to evidence non-materiality queried • An authority noted it was not clear that benefits of IFRS 16 implementation outweighed the costs 	<ul style="list-style-type: none"> • Lack of a centralised system is a challenge • Significant time / resource required from a number of departments • Internal lease expertise may not be available • Investigation can lead to identification of data issues • Procurement, estates & legal need to be involved • Software suppliers (eg lease registers, asset registers) are unlikely to update software until the Code confirms the requirements • Larger authorities may need more formal processes 	<ul style="list-style-type: none"> • Cost of amendments to systems • Staff time (all departments) • Possible cost of external advisors

C. Transition and Recognition				Appendix C
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Discount rate identification	<ul style="list-style-type: none"> • Most expect to use PWLB, with a preference to be able to use the implicit rate where this can be (readily) identified • Noted however that use of rate on initial application of IFRS 16 may overstate the principal element compared to use of the rate on start of a lease (since current interest rates are generally lower than historic rates, noted some leases are very old) 	<ul style="list-style-type: none"> • Complex leases may require additional resources (beyond a simple spreadsheet model) to calculate • One geographic area noted a query as to whether local auditors would accept approach on rate identification 	
2.	Investment Property	<ul style="list-style-type: none"> • Affects some councils 		
3.	Exemption where leases end within 12 months		<ul style="list-style-type: none"> • Treatment of lease extensions (roll forwards < 12 months) could be clarified • Extensions will require clarification with other departments eg estates, IT etc 	
4.	Impairment review	<ul style="list-style-type: none"> • Guidance on 'onerous' contracts requested 	<ul style="list-style-type: none"> • No in house expertise to undertake impairment reviews 	<ul style="list-style-type: none"> • Possible external resource for impairment reviews

C. Transition and Recognition				Appendix C
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
5.	Sale & leaseback	<ul style="list-style-type: none"> • Need to re-assess whether a sale has occurred under IFRS 15 criteria queried (<i>note: this may consider to be addressed by IFRS 15 transition arrangements</i>) • More guidance requested 		
6.	Initial recognition of new leases	<ul style="list-style-type: none"> • Identification of in-substance fixed payments – guidance may be required • Variable payments (indexed etc) probably not significant on initial recognition • Option to purchase would require specific advise etc from other departments • Option to purchase considered rare by one authority 	<ul style="list-style-type: none"> • Difficult to determine RVGs – they may not be obvious 	
7.	Restoration / dilapidation etc		<ul style="list-style-type: none"> • Initial estimation would be challenging / impractical 	
8.	Concessionary leases	<ul style="list-style-type: none"> • Query raised re whether use of facilities by another public bodies for no fee (cited as a growing trend seen in conjunction with integration) is a concessionary lease 		<ul style="list-style-type: none"> • Obtaining valuation of RoU asset will involve additional costs & may be challenging for valuers

C. Transition and Recognition				Appendix C
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
9.	Impact of lease recognition	<ul style="list-style-type: none"> • One council: would now show lease liabilities £77m compared to MLP of £8m for existing finance leases (main increase re property leases) • One council noted all leases expire in 12 months so no impact • One council would show lease liabilities £9m compared to existing finance lease MLP £30K (all property) 	<ul style="list-style-type: none"> • One authority could not estimate due to insufficient records 	
10	Sub-leases	<ul style="list-style-type: none"> • Application to shared service /facility arrangements needs to be considered 	<ul style="list-style-type: none"> • Finance need to be involved with other departments in review of leases 	<ul style="list-style-type: none"> • Possible that some sub-lease income (rentals) will switch from being revenue to capital (principal element, capital receipt) and interest (revenue income)
11	Other consideration		<ul style="list-style-type: none"> • Existing lease records insufficient for application of IFRS 16 • Estates & other staff (procurement, IT etc) need to be aware of IFRS 16 requirements, liaison between finance & other professions required • Access to lease specialist skills may not be possible for some councils • Collation of information is time consuming • Preparation in 18/19 advisable • Data cleaning may be needed 	

D. Subsequent Measurement				Appendix D
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Changes in restoration obligations etc	<ul style="list-style-type: none"> Frequency and extent of assessment of restoration obligations queried (eg linkage to revaluation cycle) otherwise potentially significant work to establish no provision to be created) 	<ul style="list-style-type: none"> Lease register amendment to track dilapidation clauses / reviews etc. Challenges in estimating restoration etc obligations. Legal application of landlord and tenant act 1927 section 18 https://www.legislation.gov.uk/ukpga/Geo5/17-18/36/section/18 landlord discretion dependent on future use of property. Valuer caution regarding early estimation – generally not possible until end of lease / negotiations commence 	<ul style="list-style-type: none"> Potential earlier recognition but indications that in practice provision criteria may not be met until nearer end of lease term (unless clear evidence of major damage eg fire, water flooding etc) Increased staff time / system investment required to monitor and assess
2.	Lease liability remeasurement	<ul style="list-style-type: none"> Confirmation that reversal to the CAA was anticipated was requested 	<ul style="list-style-type: none"> Lease register to be amended to link asset more closely to the liability System should identify / flag up affected leases 	<ul style="list-style-type: none"> Increased staff time / system investment required to and recalculate workings annually
3.	Valuation of RoU asset	<ul style="list-style-type: none"> Materiality will be important Frequency of valuations and impairment reviews Clarity re when cost can be used as proxy requested 	<ul style="list-style-type: none"> Possible significant increase in valuation work required (no of assets etc) Practical challenge in applying materiality eg RoU assets which do require valuation vs those where cost as proxy acceptable Impairment process may be challenging due to nature & volume 	<ul style="list-style-type: none"> Cost of internal or external valuations

D. Subsequent Measurement				Appendix D
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
4.	Other considerations	<ul style="list-style-type: none"> Re lessor accounting the proposed accounting treatment was noted as being open to clarification regarding re-measurement (impact of indexation / rent reviews on lease payment assessment) 	<ul style="list-style-type: none"> Larger authorities may need lease register systems Treatment of 'rolling' leases (annual renewal) may be challenging More ongoing / annual review and assessment of leases eg re indexation, restoration etc Ledger coding changes may be needed 	<ul style="list-style-type: none"> Capitalisation of initial direct costs may increase pressure on capital budgets

E. Disclosures			Appendix E	
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Lessee Disclosures	<ul style="list-style-type: none"> • Potential materiality exclusions noted: expenses on short term leases; (non RoU); expenses on low value assets; variable lease payments not affecting liability measurement; elling profit/loss; some lease income details; risks; etc • Preference for more targeted disclosures requested to minimise interpretation differences with auditors 	<ul style="list-style-type: none"> • New coding structures to provide details required may be needed • Staff coding invoices will need to be informed (or more journals later) • Asset register reports required for leased assets • Expert skills & knowledge required 	
2.	Lessor disclosures	<ul style="list-style-type: none"> • Potential materiality exclusions noted: selling profit/loss; some lease income details (operating leases, variable income) ; risks; etc 	<ul style="list-style-type: none"> • Generally as cell E.1 above 	
3.	Other consideration	<ul style="list-style-type: none"> • Benefits of so many disclosures queried • Materiality application considered vital 	<ul style="list-style-type: none"> • Possible increase of 'clutter' in the accounts 	

F. Service Concession Arrangements (PFI / PPP)				Appendix F
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Re-measurement of liability due to indexation	<ul style="list-style-type: none"> Anticipated that most schemes include indexation (usually annually, but could be more frequently eg monthly) 	<ul style="list-style-type: none"> External specialist expertise anticipated to be utilised to maintain PFI model 	<ul style="list-style-type: none"> Additional cost of new model, staff time and/or external support
2.	Lifecycle capital costs	<ul style="list-style-type: none"> Lifecycle capital costs may be treated as funded in year (deduction from Unitary Charge) or treated as a prepayment. Query raised re whether this would be a modification. Noted that where new assets are added with an increase in the unitary charge this could be regarded as a lease modification. 		

G. Other Aspects			Appendix G	
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
1.	Benefits		<ul style="list-style-type: none"> • VFM: One council noted no benefits anticipated, others indicated that IFRS 16 supports clearer appraisal regarding lease or buy • VFM: Cost vs benefit of additional workload queried • More transparency regarding decommissioning obligations • 	
2.	Behaviours		<ul style="list-style-type: none"> • Potentially more shared service / asset arrangements • Authorities may be more likely to buy rather than lease • Potential change in delegated powers / formal sign off arrangements in council • Greater need for inter-department communications • Specified responsibility for contract management • More FoI queries possible 	
3.	Group Accounts	<ul style="list-style-type: none"> • Difference in timing of the consideration of the implementation of IFRS 16 in current UK GAAP (FRS 102) resulting in inconsistent accounting policies 		

G. Other Aspects				Appendix G
	Item	Accounting Aspects	Practical / Workload Aspects	Financial Impact
4.	Prudential Code	<ul style="list-style-type: none"> CFR will increase 	<ul style="list-style-type: none"> Concerns expressed re WGA mismatch and additional work in eliminating transactions 	
5.	HRA	<ul style="list-style-type: none"> Implications for HRA queried, especially regarding depreciation and use of leased in assets for tenants 		