

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	13 March 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Implementation of International Financial Reporting Standard (IFRS) 16 Leases Accounting Standard
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Executive Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Gwybodaeth/For Information

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

This report provides the Committee with an update on progress with regard to the steps being taken to prepare for the implementation of the International Financial Reporting Standard (IFRS) 16 Leases Accounting Standard.

The Finance Committee is requested to note the work being undertaken.

Cefndir / Background

IFRS 16 becomes effective for Hywel Dda University Health Board (HDdUHB) from 1st April 2020. Internal preparation work for this standard has been undertaken in line with discussions held at the All Wales Capital Technical Accounting Group.

As part of this preparation, Welsh Government (WG) required all Health Boards to submit a return with an assessment of the potential budgetary impact of IFRS 16 by 17th January 2020. This assessment will allow WG to understand the potential impact on the Capital Departmental Expenditure Limit (CDEL) and Revenue Departmental Expenditure Limit (RDEL).

Asesiad / Assessment

Work Undertaken

Since the previous update provided in September 2019, further work has been undertaken to identify existing leases within HDdUHB. The work undertaken has identified leases covering properties, equipment, cars, photocopiers and franking machines.

The accounting treatment of more complex lease agreements, such as General Practitioner Information Management & Technology Systems (GP IM&T) and the Picture Archiving Communication System (PACS), has been co-ordinated by the Capital Technical Accounting Group to ensure consistency in treatment across Wales.

Budgetary Impact Reported to WG (17th January 2020)

The current budgetary assessment of the impact of IFRS 16 is shown below:

	2020/21 £'000	
Heading	Property	Non-Property
Additional CDEL required (new leases only)	3,362	9,834
Depreciation	894	2,430
Interest	110	174

The numbers are indicative at this stage and are subject to numerous assumptions, the most significant of these being:

- No additional allowance has been made for unknown leases which may be entered into in 2020/21;
- Exempt low value assets have been assumed to be valued at below £5k;
- All short term leases i.e. those with a lease life left of less than 12 months, have been excluded;
- Sub-leases have been included;
- Only cars which are leased by HDdUHB have been included. Salary sacrifice cars have not been included within the return;
- There is uncertainty regarding the implementation of new GP IM&T contracts. The return has been completed assuming that the new contract will be valued at the total payments made in 2018/19 (the last full year of payments) related to GP IM&T, with a contract life of seven years.

The Finance Team are awaiting clarity from WG regarding how it proposes to deal with the technical adjustments required to implement IFRS 16. All Health Boards were asked to exclude the impact of IFRS 16 from their Financial Plans for 2020/21.

Further work required

- Disclosure requirements for the 2019/20 Statement of Accounts will need to be considered;
- The Finance Team will continue to engage with Wales Audit Office to ensure their agreement on principles adopted;
- Agreement of process to identify new leases effective from 1st April 2020;
- Increase awareness of IFRS 16 within the Finance Team;
- Implementation of system requirements to ensure efficient recording of leases on an on-going basis and calculation of depreciation and interest charges.

Argymhelliad / Recommendation

The Finance Committee is requested to note the work being undertaken.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.5 The Finance Committee will provide assurance, raising appropriate concerns and make recommendations to the Board as a consequence of the Committee's role in relation to short term focus, medium term focus and improving financial management
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	IFRS publications Financial Reporting Advisory Board (FRAB) – guidance and publications
Rhestr Termiau: Glossary of Terms:	Included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Not Applicable

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Potential budgetary impact of standard highlighted in report.
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable

Risg: Risk:	Not Applicable
Cyfreithiol: Legal:	Not Applicable
Enw Da: Reputational:	Not Applicable
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable