

IFRS 16 Impact forecast: guidance

Guidance to accompany form for submission on 12 January 2022

Issued: 9 December 2021

Introduction

IFRS 16 is effective for NHS bodies from 1 April 2022. The transition from IAS 17 to IFRS 16 will have an impact on both capital and revenue outturns for 2022/23 and beyond. HM Treasury requires information from the Department of Health and Social Care to support adjustments to ‘Main Estimates’ – the process by which Departmental Limits will be set for 2022/23. This information is required ahead of the usual timing of the NHS planning round. **Information supplied by NHS bodies in this return will be used in submissions to HM Treasury which will inform the Departmental capital and revenue limits**, so it is important that these sheets are completed as accurately as possible.

We do not yet have clarity from HM Treasury on how this information will be used to set CDEL, or whether there will be separate controls nationally. The forthcoming 2022/23 Planning Guidance will offer advice on how this should be reflected in planning returns..

If you have queries in relation to the completion of this IFRS 16 Impact Forecast template please contact provider.accounts@improvement.nhs.uk if you are a provider, or england.yearendaccounts@nhs.net if you are a commissioning organisation.

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Submission

Completed templates should be submitted no later than **Wednesday 12 January 2022 (noon)**. Please ensure all validation errors have been passed or discussed in advance with the relevant team using the contact details on the previous page. All submissions will be reviewed by the national team and any queries will be raised with the contact listed on the front of the form. Please ensure the contact details listed are the most appropriate contact to be resolving these queries.

For **commissioning organisations**, completed forms should be submitted in the following link: <https://nhsengland.sharepoint.com/sites/ccqfin/DropOffLibrary>. Once submitted an email will be sent to confirm receipt of the submission.

For **provider organisations**, completed forms should be submitted on your NHS Improvement portal.

Completion guidance

This form has been updated based on feedback from the 2020/21 exercise. It now contains 4 input sheets – these tabs are coloured orange for reference. All other sheets are formula driven from these orange tabs. Existing leases (leases which have already commenced or are due to commence before 1 April 2022) are now entered separately to new leases expected to commence during 2022/23. HM Treasury also requires property and non-property (equipment) leases to be assessed separately.

We expect HM Treasury to require information from us over the subsequent three years. To inform this, tab D asks summary questions on the expected impact of IFRS 16 in 2023/24 and 2024/25 which is distinct from 2022/23.

The return focuses on leasing arrangements where the transition to IFRS 16 may impact the capital or revenue outturn measured under central government budgeting rules. It therefore only considers leases where the organisation is a lessee and subleases where the organisation is an intermediate lessor. PFI / LIFT arrangements and leases where the organisation is a lessor (other than subleases) should not be included in this form.

Guidance for completing each of the tables in these sheets is summarised in the sections below. Within the template itself you will also find the following guidance and checks:

- Table specific completion instructions are included in boxes directly above each table in the template.
- Grey information boxes are included on many of the rows and columns which give additional information when clicked on relating to the input required.
- Validation and other checks are included to the right hand side of each input table checking the accuracy, consistency and reasonableness of information entered.

Illustrative examples for different leasing circumstances are given in Annex 1 of this guidance document for reference.

Input sheet – A-Existing leases property

This entire sheet relates to existing property leases. If the organisation has no existing property leases (or ones that will be entered into by 31 March 2022), this sheet should be ignored.

Table A1 – Existing property leases – 1 April 2022 transition adjustment

This table collects the forecast 1 April 2022 opening balance adjustment to bring right of use assets on SoFP for existing leases (those which commenced or will commence before 1 April 2022). It should be completed as follows:

1. Enter the forecast 31 March 2022 NBV of existing finance leased assets under IAS 17 into the first row (subcode LBS0010), split by counterparty.
2. Transition adjustments to bring existing operating leased assets on SoFP should then be entered below (subcode LBS0020). Peppercorn leased assets should be recorded separately on LBS0030.
3. If the organisation is an intermediate lessor with existing operating subleases reassessed as finance leases on 1 April, these assets should be derecognised in subcode LBS0050.
4. Enter the total quantity of existing leases (as a lessee only) on the final row (subcode LBS0070).

These transition entries as at 1 April 2022 will not affect the Departmental capital budget.

Table A2 – Existing property leases – revenue impact of IFRS 16 in 2022/23

This table collects the forecast change in revenue costs in 2022/23 for existing leases. It should be completed as follows:

1. For lessees, enter revenue costs of existing leases on an IFRS 16 basis in columns F to H, split by counterparty. This should include depreciation and interest for both existing finance leases and existing operating leases brought on SoFP on 1 April. For low value/ short term leases and any variable lease payments or irrecoverable VAT not included in the lease liability, please include these expensed costs in the 'lease expenditure in opex row'.
 - a. When this exercise was run previously, some entities omitted their interest costs as they had not discounted the liability citing that they could not identify the effective interest rate in the lease. Please note that all existing operating leases coming on SoFP on 1 April should be discounted using the HMT determined incremental borrowing rate. See [guidance](#) below.
 - b. Ensure depreciation on peppercorn leases is correctly split out (subcode LBS0120) – this is treated differently in revenue budgets.
2. In columns I to J, enter the costs of the same leases as though they were continuing on an IAS 17 basis in 2022/23.
 - a. For existing operating leases that come on SoFP under IFRS 16, do not forget to include the lease payments here that would have been expensed under IAS 17.
 - b. Please ensure these costs are recorded under the same counterparty as the equivalent IFRS 16 costs already recorded.
 - c. Ensure that lease payments that would have been charged to expenditure on an IAS 17 basis are not omitted as this will overstate the impact of applying IFRS 16.

This figure should include such costs even if they were not disclosed in the operating leases line in accounts previously.

3. For intermediate lessors of existing subleases, these may be classified as operating or finance leases. In columns F to H please enter the sublease income and depreciation charge associated with operating subleases and the interest income expected to be earned on finance subleases. In columns I to K enter the same information for these leases as though they were continuing on an IAS 17 basis. For many leases, these figures will be the same as the IFRS 16 figures. However some existing operating subleases may be reassessed as finance leases on transition.
 - a. Only information on subleases should be included here. Other leases where the organisation is a lessor should not be impacted and should therefore be excluded from this return.
4. The incremental impact of applying IFRS 16 in 2022/23 is then calculated in columns L to O. Please check these figures look as expected and resolve any checks that are failing on the right hand side of the table.

Table A3 – existing property leases – Capital impact of IFRS 16 in 2022/23

This table collects the forecast capital costs in 2022/23 relating to existing leases.

1. Lease liability remeasurements - as liabilities for existing operating leases will be measured initially on 1 April 2022 it is unlikely that any reassessments of judgements in respect of lease term will be forecast. However, this row may include an estimate of inflationary uplift for any lease liabilities that include index linked lease payments that are expected to change during the year. See [guidance](#) below.
2. Dilapidation provisions arising – this provision is often built up in line with utilisation of the asset. New amounts arising in year are capitalised under IFRS 16 and should be recorded here.
3. Utilisation of dilapidation provisions at the end of the least term incurs a capital charge. Note this only relates to dilapidation provisions capitalised since the adoption of IFRS 16 only so cannot exceed the amounts recorded in the row above.

Under IAS 17 there would be no subsequent expenditure scoring to capital budgets so no IAS 17 equivalent input is required.

Input sheet: B-Existing leases non-property

Tables B1, B2 and B3 on this sheet are identical to tables A1, A2 and A3 on the previous sheet but collect data on existing non-property (equipment) leases only. Please ensure existing leases are recorded on the correct sheet. Please follow the guidance given for tables A1 to A3 above. If the organisation has no existing equipment leases (or ones that will be entered into by 31 March 2022), this sheet should be ignored.

Input sheet: C-New leases Input

This tab collects information on all new leases (for a lessee) and subleases (for intermediate lessors) forecast to commence in 2022/23 (on or after 1 April 2022). No entries relating to existing leases should be included on the sheet. It collects both property and non-property leases.

We appreciate that some organisations may not have formally agreed all new leases commencing in 2022/23 yet so please make a best estimate of the lease details here where that is the case. Where existing leases are due to expire during 2022/23 and a decision has not yet been made on whether it will be renewed / replaced with a new lease, if it is likely that it will be replaced with a similar lease then please capture that impact. Similar leases can be grouped in one row where easier. Where entities are not expecting to enter into any new leases in 2022/23 this sheet can be ignored.

Table C1 – New on-SoFP leases (lessee)

This table collects details of new on-SoFP leases (lessee) on a lease by lease basis. When completing the table:

- Please complete the table from left to right. Some columns will become editable and require entry based on entries entered earlier (to the left) in the table. This will ask for details about the lease first, then IFRS 16 initial recognition entries (capital), followed by IFRS 16 22/23 revenue entries, and lastly IAS 17 equivalent accounting entries as though IFRS 16 did not apply.
- Do not include any new leases where the short term / low value practical expedient applies (these are included in table C2 instead).
- There is initially space for 10 new leases. New rows can be added to the table by clicking the button beneath it (make sure macros are enabled) to a maximum of 50. Once unhidden, these additional rows cannot be re-hidden.
- Where multiple similar leases will commence, these can be grouped together and entered on a single row.
- Once complete, please review and resolve checks to the right which will flag where entries appear incomplete or inconsistent.

Table C2 – New low value / short term leases (lessee)

This table collects summarised information on low value / short term leases commencing in 2022/23 which will not be recognised on balance sheet. Please enter the aggregate in-year lease charge to operating expenditure and the number of such leases expected to commence, split by counterparty. No separate IAS 17 information is required as this is expected to be the same.

Table C3 – New sub-leases (intermediate lessor)

This table should be completed with any new subleases (where the organisation is the intermediate lessor) expected to commence during 2022/23. Please leave blank if your organisation is not an intermediate lessor. No other leases where the entity is a lessor should be included in this form.

- Please complete the table from left to right. This will ask for details about the sublease lease first. Identifying whether the sublease is a finance or operating lease on an IFRS 16 basis will determine which subsequent columns need to be completed. Where the sublease is an operating lease under IFRS 16 or a finance lease under both bases, no IAS 17 details will be required.
- There is initially space for 5 new subleases. New rows can be added to the table by clicking the button beneath it (make sure macros are enabled) to a maximum of 20. Once unhidden, these additional rows cannot be re-hidden.

- Once complete, please review and resolve checks to the right which will flag where entries appear incomplete or inconsistent.
- Once all relevant tables have been completed, the figures entered will feed through onto the next two tabs of the workbook: 'New leases – property' and 'New leases – non-property'. Please review these tabs and check that the incremental capital and revenue impacts calculated for new leases at the bottom of each table is in line with your expectation.

Input sheet: D – Future years

HM Treasury has also requested IFRS 16 impact information for 2023/24 and 2024/25. We appreciate that detailed plans for years 2 and 3 post implementation is not realistic. In order to facilitate a national estimate we are therefore asking some focused questions.

Table D1 – lease liabilities subject to inflation increases

Guidance for how to fill in this table is included within the form. **Please leave this table blank if you are unsure.**

Table D2 – significant changes in 2023/24 and 2024/25

This table identifies significant changes in leasing activity in 2023/24 and/or 2024/25. The initial question for each year must be completed by all entities.

Summary sheet

This sheet summarises the impacts of IFRS 16 entered into all sheets. Entities should review this sheet once all tabs are complete to assess the overall reasonableness of the forecast impact. Table 1 summarises the capital and revenue impact by sheet to help organisations identify which tab any unexpected impacts are coming from. Table 2 summarises the capital and revenue impact by nature of expenditure to show where the impacts of IFRS 16 are arising.

In forecasts submitted in the 2020/21 exercise, some organisations submitted returns forecasting a revenue benefit (excluding peppercorn leases) as a result of implementing IFRS 16. This may suggest that some entities had not correctly applied the mandated transitional approach to existing operating leases at that time. For existing operating leases, the asset value on 1 April 2022 should be equal to the calculated liability. This models the subsequent revenue costs as though it were year 1 of the lease, when interest is at its highest. In this circumstance we would usually expect depreciation plus interest to be higher than the lease costs charged to I&E on a straight line basis under IAS 17. If you are forecasting a revenue benefit (excluding peppercorn lease income and peppercorn depreciation) then please consider whether the correct transitional approach has been applied.

Key technical points to remember

The DHSC GAM IFRS 16 supplement is essential reading for all bodies. It sets out the key principles of IFRS 16 and also the public sector adaptations applicable to the NHS. However, entities will also need to refer directly to the standard for more detailed guidance. When preparing your IFRS 16 models and forecasts please remember the following technical points:

- Irrecoverable VAT should not be included in the lease liability and therefore not in the value of the right of use asset. Any irrecoverable VAT arising from a leasing arrangement should be expensed in the period that it is due.
- Leasehold improvements paid for by the tenant do not form part of the right of use asset value. These are recognised under IAS 16. Existing leasehold improvements should not be reclassified as 'right of use assets' on 1 April and new leasehold improvements should be capitalised as 'owned' assets. Leasehold improvements are not impacted by IFRS 16 so should not be included in this return.
- Variable lease payments that depend on an index or a rate are included in the initial lease liability. These payments are initially measured using the index or rate as at the commencement date. Where payments are linked to inflation this means measuring future lease payments in the initial liability assuming that RPI or CPI will not move (ie no inflation). An estimate of future inflation is not included in the initial lease liability. This will arise as a subsequent remeasurement.
- Public sector bodies are implementing IFRS 16 using the cumulative catch-up approach on 1 April 2022 and not restating the prior year. As a result, IFRS 16 requires the incremental borrowing rate (set by HMT) to be used as the discount rate on all existing operating leases coming on SoFP on 1 April. This applies even where an interest rate is implicit in the lease. HM Treasury has not yet issued a discount rate for the 2021 calendar year (expected around Christmas). For now, please use the 2020 rate (0.91%) and we will advise when the updated rate has been issued.
- The DHSC GAM removes the option for NHS bodies to apply IFRS 16 to intangible assets. No lease components for the use of intangible assets should be included in this return.
- Where the lessee is liable for restoration costs (dilapidations), IFRS 16 requires the expenditure to be capitalised in the right of use asset value. Note that for existing leases, no new dilapidation provisions arise on transition to IFRS 16 and no adjustments are made to the right of use asset value in respect of amounts already provided and charged to expenditure in a previous year.

Summary of IFRS 16 budgeting treatments

The application central government budgeting rules following application of IFRS 16 is determined by HM Treasury and set out in the [IFRS 16 supplementary budgeting guidance](#). A summary of the key provisions is as follows:

- For new leases from 1 April 2022, the initial value of the right of use asset scores to capital budgets upon commencement of the lease term.
- Subsequent remeasurements of the lease liability are recognised in the right of use asset value and also score to capital budgets.
- Capitalised dilapidation provisions score to capital budgets when the provision is settled at the end of the lease term.
- Depreciation and interest will score against revenue performance measures.
- Peppercorn lease additions are treated in the same way as granted or donated assets, including related depreciation and impairments.
- Early terminations and new finance leases (for a lessor) will follow existing treatments for asset disposals upon derecognition.

Annex: Worked examples

Note for commissioners: not all of these examples will be relevant for commissioners. In the screenshots below the column for 'Leases with NHS providers' is shown as 'Leases with NHSE group bodies' in the template for commissioning organisations. Programme and admin splits are not shown.

City Hospital has three existing leases and expects to enter into two new leases during 2022/23.

Lease details

Existing leases:

Lease 1 – City Hospital leases equipment from an external company. The lease commenced on 1 August 2019 and has a lease term of 10 years. The provider recognised this as a finance lease under IAS 17. The lease liability was discounted using the rate implicit in the lease which was 2.5%. The equipment is reclassified from PPE to right of use assets on transition with no adjustments to the value of the asset or lease liability.

Lease 2 – City Hospital leases some office space from a neighbouring NHS Trust. Under IAS 17 this was an operating lease and is due to expire (without renewal) in 6 months.

Lease 3 – City Hospital rents a building from NHS Property Services for £5 million per annum. City Hospital is deemed to control the use of this asset. The lease is currently undocumented; previously under IAS 17 the Trust recognised annual lease expenditure but did not disclose a future commitment. In applying IFRS 16 where the Trust is reasonably certain to exercise its right to extend the lease this is part of the lease term: City Hospital documents its local assessment of lease term at 10 years and applies the HMT determined incremental borrowing rate on transition.

New leases:

Lease 4 – A local NHS Trust grants City Hospital use of a parcel of land for 50 years on which City Hospital will build a car park. City Hospital will pay a peppercorn rent of £100 per annum. The fair value of the land is £1.3m. There is no interest rate implicit in the agreement so the HMT determined incremental borrowing rate of 0.91% is used. This would not have been a finance lease under IAS 17.

Lease 5 – A new lease for additional IT equipment will commence on 1 August 2022 with a lease term of 10 years. The rate implicit in the lease is 2.4% with annual lease payments of £500k. This would have been a finance lease under IAS 17.

Summary of lease details

	Existing leases			New leases	
	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
Counterparty	External	NHS provider	Other DHSC group body	NHS provider	External
Commencement date	01/08/2019	01/10/2019	01/04/2015	01/01/2023	01/08/2022
Remaining lease terms (years) on 1 April 2022	7.3	0.5	10	50	10

	Existing leases			New leases	
	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
IAS 17 classification	Finance	Operating	Operating	Operating	Finance
IFRS 16 transition / application	No change	Short term	1 April 22 Asset = liability	On-SoFP peppercorn	On-SoFP
Annual lease charge	£350k	£50k	£5,000k	£0.1k	£500k
Applicable discount rate	2.5%	n/a	0.91%*	0.91%*	2.4%

* 2021 rate of 0.91% used as 2022 rate not yet published by HM Treasury.

Lease model outputs

	Existing leases			New leases	
	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
Liability @ 1 April 2022	£2,551k	NIL	£47,586k		
Asset @ 1 April 2022	£2,247k	NIL	£47,586k		
Liability @ commencement				£4k	£4,399k
Asset @ commencement				£1,300k	£4,399k
Depreciation (exc. peppercorn) – 2022/23	£306k	NIL	£4,759k	negligible	£293k
Interest in 2022/23	£58k	NIL	£433k	negligible	£70k
Peppercorn I&E credit - 2022/23				£1,296k	
Peppercorn depreciation 2022/23				£6k	
IFRS 16: operating expenditure charge (for short term / low value)		£25k (Six months)			
IAS 17: capital addition for new finance lease					£4,399k
IAS 17: operating expenditure charge (straight line basis for operating leases)	NIL	£25k	£5,000k	negligible	NIL
Revenue impact before peppercorn leases	NIL	NIL	£192k adverse	negligible	NIL

Worked examples: tab 'A-Existing leases – property' and tab 'B-Existing leases -non property'

Step 1 – Enter values for **existing** leases before transition and any transition adjustments on assets on 1 April 2022. Note: property and non-property leases must be entered on different tabs. This adjustment is entered in table **A1** (tab A) and **B1** (tab B)

			IFRS 16 basis				Maincode
			ELP1601	ELP1602	ELP1603	ELP1605	
			Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total	
			2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
Expected Sign							
Table A1 - Existing property leases: Transition adjustment on 1 April 2022							
For lessees:							
Before transition:							
NBV of existing finance leased assets recognised under IAS 17 at 31 March 2022	i	+				0	LBS0010
IFRS 16 transition:							
Right of use assets recognised on 1 April, not previously capitalised	i	+		47,586		47,586	LBS0020
Peppercorn lease assets recognised on 1 April, not previously capitalised	i	+				0	LBS0030
Total right of use assets after transition to IFRS 16 on 1 April 2022		+	0	47,586	0	47,586	LBS0040
For lessors:							
Subleased assets derecognised by intermediate lessors if reassessed on transition to IFRS 16 as a finance lease	i	-				0	LBS0050
Total change in non-current asset value on 1 April 2022		+/-	0	47,586	0	47,586	LBS0060
Number of existing property leases (lessee only)		+		1		1	LBS0070

Tab A - Existing property leases:
Lease 3 – Existing NHS Property Services lease is adjusted on-SoFP on 1 April with asset equal to liability (entered into table A1 on tab A-Existing leases - property). Here it is allocated to the 'DHSC group counterparty' column.

Lease 2 – This lease does not appear on Table A1, as it has a remaining term of only 6 months and therefore does not transition on SoFP on 1 April 22.

			IFRS 16 basis				Maincode
			ELNP1601	ELNP1602	ELNP1603	ELNP1605	
			Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total	
			2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
Expected Sign							
Table B1 - Existing non-property (equipment) leases: Transition adjustment on 1 April 2022							
For lessees:							
Before transition:							
NBV of existing finance leased assets recognised under IAS 17 at 31 March 2022	i	+			2,247	2,247	LBS0010
IFRS 16 transition:							
Right of use assets recognised on 1 April, not previously capitalised	i	+				0	LBS0020
Peppercorn lease assets recognised on 1 April, not previously capitalised	i	+				0	LBS0030
Total right of use assets after transition to IFRS 16 on 1 April 2022		+	0	0	2,247	2,247	LBS0040
For lessors:							
Subleased assets derecognised by intermediate lessors if reassessed on transition to IFRS 16 as a finance lease	i	-				0	LBS0050
Total change in non-current asset value on 1 April 2022		+/-	0	0	2,247	2,247	LBS0060
Number of existing non-property leases (lessee only)		+			1	1	LBS0070

Tab B - Existing non-property leases:
Lease 1 – The NBV of the existing finance leased equipment exists in the accounts at 31 March 2022 before transition (entered into table B1 on tab B-Existing leases -non property). Here it allocated to the 'external to DHSC group' counterparty' column. There is no transition adjustment relating to this lease.

Step 2 – Allocate IFRS 16 revenue costs for existing leases into the first three columns of the table between the different leasing counterparties.

Step 3 – Provide the revenue costs of the same leases if they were to be continued to be accounted for on an IAS 17 basis.

Existing property leases (Tab A):

	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		ELP1601 Leases with NHS Providers	ELP1602 Leases with other DHSC group bodies	ELP1603 Leases external to DHSC group	ELP1701 Leases with NHS Providers	ELP1702 Leases with other DHSC group bodies	ELP1703 Leases external to DHSC group	ELP101 Leases with NHS Providers	ELP102 Leases with other DHSC group bodies	ELP103 Leases external to DHSC group	ELP104 Total	
		2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
Existing property leases: Revenue impact of IFRS 16 in 2022-23												
For lessees:												
Operating expenditure:												
Lease expenditure in opex (lessee)	-		(25)			(5,025)		0	5,000	0	5,000	LBS0100P
Depreciation - right of use assets (excluding peppercorn) (lessee)	-		(4,759)					0	(4,759)	0	(4,759)	LBS0110P
Depreciation - peppercorn leased assets (lessee)	-							0	0	0	0	LBS0120P
Net impairments on right of use assets - DEL (lessee)	-/+							0	0	0	0	LBS0130P
Net impairments on right of use assets - AME (lessee)	-/+							0	0	0	0	LBS0140P
Net impairments on peppercorn lease assets (lessee)	-/+							0	0	0	0	LBS0150P
Finance costs:												
Interest charge on leases (lessee)	-		(433)					0	(433)	0	(433)	LBS0160P
For lessors (subleases only):												
Sublease income recognised in operating surplus/deficit (sublessor)	+							0	0	0	0	LBS0170P
Interest income on subleases that are finance leases (sublessor)	+							0	0	0	0	LBS0200P
Depreciation on subleased assets that are operating leases (sublessor)	-							0	0	0	0	LBS0210P
Total revenue impact (IFRS) - existing property leases	+	0	(5,217)	0	0	(5,025)	0	0	(192)	0	(192)	LBS0220P
Total revenue impact (adjusted financial performance) - existing property lease	+	0	(5,217)	0	0	(5,025)	0	0	(192)	0	(192)	LBS0230P

Lease 2 – six months of lease rentals to neighbouring NHS trust

Lease 3 – depreciation and interest on existing NHS Property

Lease 2 – the £25k rentals would have also been lease expenditure in opex under IAS 17

Lease 3 – the NHS Property Services lease would have been charged to expenditure under IAS 17 as operating lease expenditure.

Step 2

Step 3

Existing non-Property (equipment) leases (Tab B):

Existing non property (equipment) leases: Revenue impact of IFRS 16 in 2022-23	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		ELNP1601	ELNP1602	ELNP1603	ELNP1701	ELNP1702	ELNP1703	ELNP101	ELNP102	ELNP103	ELNP104	
		Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total	
	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
For lessees:												
Operating expenditure:												
Lease expenditure in opex (lessee)	-							0	0	0	0	LBS0100P
Depreciation - right of use assets (excluding peppercorn) (lessee)	-			(306)			(306)	0	0	0	0	LBS0110P
Depreciation - peppercorn leased assets (lessee)	-							0	0	0	0	LBS0120
Net impairments on right of use assets - DEL (lessee)	-/+							0	0	0	0	LBS0130P
Net impairments on right of use assets - AIME (lessee)	-/+							0	0	0	0	LBS0140
Net impairments on peppercorn lease assets (lessee)	-/+							0	0	0	0	LBS0150
Finance costs:												
Interest charge on leases (lessee)	-			(58)			(58)	0	0	0	0	LBS0160P
For lessors (subleases only):												
Sublease income recognised in operating surplus/deficit (sublessor)	+							0	0	0	0	LBS0170P
Interest income on subleases that are finance leases (sublessor)	+							0	0	0	0	LBS0200P
Depreciation on subleased assets that are operating leases (sublessor)	+							0	0	0	0	LBS0210P
Total revenue impact (IFRS) - existing non-property leases	+	0	0	(364)	0	0	(364)	0	0	0	0	LBS0220
Total revenue impact (adjusted financial performance) - existing non-property leases	+	0	0	(364)	0	0	(364)	0	0	0	0	LBS0230

Lease 1 – depreciation and interest on existing external finance lease

Step 2

Lease 1 – was a finance lease under IAS 17 and would have incurred the same depreciation and interest

Step 3

Worked examples: tab 'C-New leases – input sheet

Enter values in table C1 for all new on-SoFP leases commencing in 2022/23. This table has four sections working across from left to right:

Section 1: Lease details

Section 2: IFRS 16 – 2022/23 capital entries

Section 3: IFRS 16 – 2022/23 revenue entries

Section 4: IAS 17 basis – 2022/23 entries

NOTE – for illustrative purposes, each section in this table is shown in separate screen prints.

Section 1: Lease details

		Lease details									
Table C1 - New on-SoFP leases: Lessee		NEW01	NEW02	NEW03	NEW04	NEW05	NEW07	NEW06	NEW08	NEW09	NEW10
Enter details of each forecast new leased asset or group of leased assets. If a lease contains more than one right of use asset, these can be split onto separate rows if necessary.		Lease name / reference / description	Property / non-property	Peppercorn lease?	Counterparty	Lease term (months)	Total gross cash commitment	Average annual lease payment	Discount rate	Admin or Programme budget	Number of leases
Expected Sign	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	TEXT	SELECT	SELECT	SELECT	SELECT	No	£000	£000	%	SELECT	No
				<i>i</i>	<i>i</i>	+	+	+	+	<i>n/a for providers</i>	<i>i</i>
New lease 1 - Lease 4 - land for carpark	+	Lease 4 - land for carpark	Property	Yes - peppercorn	NHS provider	600	5	0	0.91%		1.0
New lease 2 - Lease 5 - IT equipment	+	Lease 5 - IT equipment	Non-property (equipment)	No	External to DHSC group	120	5,000	500	2.40%		1.0
New lease 3 -	+							0			

Lease 4 – Identifying the peppercorn lease in this section will open up cells further to the right in table C1.

Average annual lease payment is calculated once lease term and total gross cash commitment columns are completed.

Section 2: IFRS 16 – 2022/23 capital entries

		IFRS 16 - 2022/23 capital entries					
Table C1 - New on-SoFP leases: Lessee		NEW11	NEW12	NEW13	NEW14	NEW15	NEW16
Enter details of each forecast new leased asset or group of leased assets. If a lease contains more than one right of use asset, these can be split onto separate rows if necessary.		Initial lease liability	Initial dilapidation provision (if any)	Lease payments before or on commencement	Initial direct costs	Lease incentives	Initial asset value
Expected Sign		2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
		+	+	+	+	-	+
		<i>i</i>	<i>i</i>	<i>i</i>	<i>i</i>	<i>i</i>	<i>i</i>
New lease 1 - Lease 4 - land for carpark	+	4					1,300
New lease 2 - Lease 5 - IT equipment	+	4,399					4,399
New lease 3 -	+						

IFRS 16 capital entries entered in this section.

Main codes NEW11 to NEW15 are expected to make up the initial asset value in NEW16, with the exception of peppercorn leases.

Lease 4 – As peppercorn lease the right of use asset is measured initially at fair value (as this is not currently an operational asset).

Section 3: IFRS 16 – 2022/23 revenue entries

		IFRS 16 - 2022/23 revenue entries						
Table C1 - New on-SoFP leases: Lessee		NEW17	NEW18	NEW19	NEW20	NEW21	NEW22	NEW23
Enter details of each forecast new leased asset or group of leased assets. If a lease contains more than one right of use asset, these can be split onto separate rows if necessary.		Peppercorn lease gain	Depreciation	Finance costs	Variable lease payment (not included in liability)	Irrecoverable VAT (charge to opex)	AME impairments	DEL impairments
Expected Sign		2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
		+	+	+	+	+	+	+
		<i>i</i>	<i>i</i>	<i>i</i>		<i>i</i>		
New lease 1 - Lease 4 - land for carpark	+	1,296	6	0				
New lease 2 - Lease 5 - IT equipment	+		293	70				
New lease 3 -	+							

Lease 4 – As peppercorn lease was identified in section 1, peppercorn lease gain entered here.

Lease 4 – peppercorn lease depreciation
Interest and non-peppercorn element of depreciation is negligible (<£0.1k) so rounded to 0 in the template.

Lease 5 – depreciation and interest on new external lease

Section 4: IAS 17 basis – 2022/23 entries

		IAS 17 basis - 2022/23 entries								
		NEW24	NEW25	NEW26	NEW27	NEW28	NEW29	NEW30	NEW31	NEW32
		Finance / operating	Initial finance lease liability	Initial asset value	Depreciation	Finance cost	AME impairments	DEL impairments	Operating lease charge to expenditure	Irrecoverable VAT (charge to opex)
		2022/23 SELECT	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
	Expected Sign		+	+	+	+	+	+	+	+
		<i>i</i>		<i>i</i>	<i>i</i>	<i>i</i>				<i>i</i>
New lease 1 - Lease 4 - land for carpark	+	Operating							0	0
New lease 2 - Lease 5 - IT equipment	+	Finance	4,399	4,399	293	70				0
New lease 3	.									0

Identifying whether the new lease would have been an operating or finance lease under IAS 17 will determine which cells to the right are required to be populated.

Lease 5 – would have been a finance lease under IAS 17 so would have incurred the same capital and revenue expenditure in this example.

Lease 4 – the £100 peppercorn payment would have been expensed under IAS 17. Rounds to £0k in this template.

Worked examples: tabs 'New leases – property' and 'New leases – non-property'

Values in both these tabs are calculated based on information included on tab 'C-New lease – input sheet'.

New leases – property (revenue impact):

	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		NLP1601	NLP1602	NLP0603	NLP1701	NLP1702	NLP1703	NLP101	NLP102	NLP103	NLP104	
		Leases with NHS Providers 2022/23 £000	Leases with other DHSC group bodies 2022/23 £000	Leases external to DHSC group 2022/23 £000	Leases with NHS Providers 2022/23 £000	Leases with other DHSC group bodies 2022/23 £000	Leases external to DHSC group 2022/23 £000	Leases with NHS Providers 2022/23 £000	Leases with other DHSC group bodies 2022/23 £000	Leases external to DHSC group 2022/23 £000	Total impact 2022/23 £000	
New property leases: Revenue impact of IFRS 16 in 2022-23												Subcode
For lessees:												
Operating income:												
Gain on recognition of new peppercorn leases (lessee)	+	1,296	0	0				1,296	0	0	1,296	LBS0090
Operating expenditure:												
Lease expenditure in opex - new on SoFP leases (lessee)	-	0	0	0	(0)	0	0	0	0	0	0	LBS0100P
Lease expenditure in opex - exempt leases (short term / low value) (lessee)	-	0	0	0	0	0	0	0	0	0	0	LBS0105P
Depreciation - right of use assets (excluding peppercorn) (lessee)	-	0	0	0	0	0	0	0	0	0	0	LBS0110P
Depreciation - peppercorn leased assets (lessee)	-	(6)	0	0				(6)	0	0	(6)	LBS0120
Impairments on right of use assets - DEL (lessee)	-/+	0	0	0	0	0	0	0	0	0	0	LBS0130P
Impairments on right of use assets - AME (lessee)	-/+	0	0	0	0	0	0	0	0	0	0	LBS0140
Impairments on peppercorn lease assets (lessee)	+	0	0	0				0	0	0	0	LBS0150
Finance costs:												
Interest charge on leases (lessee)	-	(0)	0	0	0	0	0	(0)	0	0	(0)	LBS0160P
For lessors (subleases only):												
Sublease income (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0170P
Variable lease receipts (not included in finance lease receivable) (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0180P
Gain / loss on derecognition of right of use asset	+/-	0	0	0	0	0	0	0	0	0	0	LBS0190P
Interest income on finance leases (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0200P
Depreciation on subleased asset (sublessor)	-				0	0	0	0	0	0	0	LBS0210P
Total revenue impact (IFRS) - new property leases	+/-	1,290	0	0	(0)	0	0	1,290	0	0	1,290	LBS0220
Total revenue impact (adjusted financial performance) - new property leases	+/-	(0)	0	0	(0)	0	0	0	0	0	0	LBS0230

Lease 4 – gain on peppercorn lease asset, depreciation and negligible interest under IFRS 16.

Lease 4 – the £100 peppercorn payment would have been expensed under IAS 17.

Lease 4 – net incremental revenue impact of applying IFRS 16 is calculated. Note as a peppercorn leases are akin to donated assets, there is no impact on adjusted financial performance.

New leases – property (capital impact):

	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		NLP1601	NLP1602	NLP0603	NLP1701	NLP1702	NLP1703	NLPI01	NLPI02	NLPI03	NLPI04	
		Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total impact	
New property leases: Capital impact of IFRS 16 in 2022-23		2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
For lessees:												
Right of use assets:												
New right of use assets capitalised as additions	+	1,300	0	0	0	0	0	1,300	0	0	1,300	LBS0290
Of which:												
New dilapidation provisions capitalised in right of use asset value	+	0	0	0				0	0	0	0	LBS0310
Peppercorn leased element	+	1,296	0	0				1,296	0	0	1,296	LBS0315
For lessors (subleases only):												
NBV of right of use asset derecognised for new finance subleases	-	0	0	0	0	0	0	0	0	0	0	LBS0330
Total capital (CDEL) impact - new property leases	+/-	4	0	0	0	0	0	4	0	0	4	LBS0340

Lease 4 – The right of use asset addition counts as gross capex, however an adjustment is applied in CDEL to remove the difference between the value of the right of use asset and peppercorn liability.

New leases – non-property (revenue impact):

	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		NLNP1601	NLNP1602	NLNP0603	NLNP1701	NLNP1702	NLNP1703	NLNP101	NLNP102	NLNP103	NLNP104	
		Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total impact	
	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
For lessees:												
Operating income:												
Gain on recognition of new peppercorn leases (lessee)	+	0	0	0				0	0	0	0	LBS0090
Operating expenditure:												
Lease expenditure in opex - new on SoFP leases (lessee)	-	0	0	0	0	0	0	0	0	0	0	LBS0100P
Lease expenditure in opex - exempt leases (short term / low value) (lessee)	-	0	0	0	0	0	0	0	0	0	0	LBS0105P
Depreciation - right of use assets (excluding peppercorn) (lessee)	-	0	0	(293)	0	0	(293)	0	0	0	0	LBS0110P
Depreciation - peppercorn leased assets (lessee)	-	0	0	0				0	0	0	0	LBS0120
Impairments on right of use assets - DEL (lessee)	-/+	0	0	0	0	0	0	0	0	0	0	LBS0130P
Impairments on right of use assets - AME (lessee)	-/+	0	0	0	0	0	0	0	0	0	0	LBS0140
Impairments on peppercorn lease assets (lessee)	-/+	0	0	0				0	0	0	0	LBS0150
Finance costs:												
Interest charge on leases (lessee)	-	0	0	(70)	0	0	(70)	0	0	0	0	LBS0160P
For lessors (subleases only):												
Sublease income (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0170P
Variable lease receipts (not included in finance lease receivable) (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0180P
Gain / loss on derecognition of right of use asset	+/-	0	0	0	0	0	0	0	0	0	0	LBS0190P
Interest income on finance leases (sublessor)	+	0	0	0	0	0	0	0	0	0	0	LBS0200P
Depreciation on subleased asset (sublessor)	i -				0	0	0	0	0	0	0	LBS0210P
Total revenue impact (IFRS) - new non-property leases	+/-	0	0	(363)	0	0	(363)	0	0	0	0	LBS0220
Total revenue impact (adjusted financial performance) - new non-property leases	+/-	0	0	(363)	0	0	(363)	0	0	0	0	LBS0230

Lease 5 – depreciation and interest on new external lease

Lease 5 – would have been a finance lease under IAS 17 so in this example, would have incurred the same depreciation and interest.

New leases – non-property (capital impact):

	Expected Sign	IFRS 16 basis			IAS 17 basis			Incremental impact of IFRS 16				Maincode
		NLNP1601	NLNP1602	NLNP0603	NLNP1701	NLNP1702	NLNP1703	NLNP101	NLNP102	NLNP103	NLNP104	
		Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Leases with NHS Providers	Leases with other DHSC group bodies	Leases external to DHSC group	Total impact	
		2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000	Subcode
For lessees:												
Right of use assets:												
New right of use assets capitalised as additions	+	0	0	4,399	0	0	4,399	0	0	0	0	LBS0290
Of which:												
New dilapidation provisions capitalised in right of use asset value	+	0	0	0				0	0	0	0	LBS0310
Peppercorn leased element	+	0	0	0				0	0	0	0	LBS0315
For lessors (subleases only):												
NBV of right of use asset derecognised for new finance subleases	-	0	0	0	0	0	0	0	0	0	0	LBS0330
Total capital (CDEL) impact - new non-property leases	+/-	0	0	4,399	0	0	4,399	0	0	0	0	LBS0340

Lease 5 – would have been a finance lease under IAS 17 so in this example, there is no incremental impact on capital expenditure