



preparing accounts and budgets, undertaking effective internal audit, preventing and detecting fraud, and putting in place arrangements for securing economy, efficiency, and effectiveness in its use of resources, and achieving value for money.

- 1.3 The Financial Regulations are designed to demonstrate how the Council will meet these financial responsibilities and they apply to every Member and Officer of the Council.
- 1.4 The Financial Regulations must be regularly reviewed and updated and to ensure that they comply with current statutory requirements, internal and external audit expectations, and current 'proper practices' with regard to financial management issued by professional bodies such as the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.5 It is two years since the last review of Financial Regulations and during that time a number of changes have occurred. This report highlights the pertinent changes using "tracked changes" for easy of review by Members. In summary, amendments have been made to
  - Include the implications of IFRS16 Leases – which is due to be implemented within local government from April 2024.
  - Amendments to Financial Thresholds within Appendix A

## **2.0 IFRS 16 Leases**

- 2.1 For the financial year 2024/25 International Financial Reporting Standard (IFRS) 16 Leases will replace the current International Accounting Standard (IAS) 17 as the method to account for leases in the Council's annual accounts.
- 2.2 Under IFRS 16 a lease is defined as a contract (or part of a contract) that conveys the right to use an underlying asset for a period of time. (This is where the Authority is acting as Lessee i.e. leasing goods/services in, there is no change to the treatment where the Authority is the lessor (where we lease out various assets)).
- 2.3 IFRS 16 will lead to a substantial change in accounting practice for the Council, where the current distinction between operating leases and finance leases will be removed. IFRS 16 requires the Council to recognise assets and liabilities for all leases with a term in excess of twelve months. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for the Council as a lessee (Leasing assets from a third party).
- 2.4 One of the major challenges in relation to IFRS16 is the identification of any embedded leases in service contracts which do not explicitly state they are a

lease, but which in substance have the characteristics of a lease, or where it is not necessarily clear if there is a lease component to the contract. Common terminology for such arrangements are:

- Lease agreement
- Hire agreement
- Rental agreement
- Contract hire agreement

Failure to identify such leases has potential to lead to non-compliance with IFRS 16.

2.5 To ensure all leases are captured, the following work is being undertaken by the finance team:

- Stage 1 – Review all contracts and regular payments to identify potential arrangements that will need to be accounted for under the new requirement of IFRS16;
- Stage 2 – Ensure an organisation wide process is put into place to ensure any subsequent arrangements are identified on an ongoing basis – covered by these amendments to the financial regulations;
- Stage 3 – Finance to monitor and consider this data to ensure identification and accounting is embedded as part of our annual cycle – aim is to capture the data at the point of procurement (beginning) hence the inclusion of Appendix B and the amendments to the Procurement Notification Form (PNF).

2.6 Lease's lower than £5k in value and those less than 365 days will not be subject to full accounting but will however be subject to disclosure requirements within our Statement of Accounts, therefore there are no short cuts and all data will need to be collated, reviewed and maintained in order to achieve this.

### **3.0 Delegated Authority Thresholds (Appendix A)**

3.1 The authorisation to order goods and to pay invoices is an important safeguard to protect the public purse. The existing limits need to be revised to reflect operational demands. Appendix A of the Financial Regulations shows the updated position.

3.2 It is proposed to increase the lowest general authorisation limit from £10k to £20k to reflect the increase in costs over the last 2 years. It is also proposed to include a new level of approval to differentiate between a Service Manager (£20k) and an Operational Manager (£50k). These changes will help improve efficiency within the process and will be kept under review to ensure there is the correct mix of efficiency and safeguarding.

- 3.3 There will be occasions where these limits are not sufficient. In such cases approval can be sought from the S151 or Deputy S151 to temporarily increase the authorisation limit to allow an order to be approved. The limit will subsequently revert back to the original level.

#### **4.0 Conclusion**

- 4.1 The various recommendations above are proposed to ensure compliance with current legislation and maintain best practice. Improving the efficiency of our operations, whilst safeguarding the Council's assets remains an ongoing commitment. Going forward therefore, further revisions will need to be made from time to time to ensure these goals continue to be met.

#### **Financial Implications**

There are no direct financial implications arising from this report, however the Financial Regulations set the boundaries in which the Council operates.

#### **Legal Implications**

Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages.

#### **Risk Assessment**

Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

#### **Impact on Climate Change**

There are no direct Climate implications arising from this report

#### **Equalities Impact Assessment**

There are no direct Equality implications arising from this report

#### **Relationship to Corporate Plan**

The safeguarding of assets and the provision of practical efficient processes to provide value for money are intrinsic to the Corporate Plan.

### **Section 3 – Statutory Officer sign-off/mandatory checks**

**Statutory Officer:** Andrew Jarrett

Agreed by or on behalf of the Section 151

**Date:** 8 January 2024

**Statutory Officer:** Maria De Leiburne  
Agreed on behalf of the Monitoring Officer  
**Date:** 8 January 2024

**Chief Officer:** Stephen Walford  
Agreed by or on behalf of the Chief Executive/Corporate Director  
**Date:** 8 January 2024

**Performance and risk: Dr Stephen Carr**  
Agreed on behalf of the Corporate Performance & Improvement Manager  
**Date:** 8 January 2024

**Cabinet member notified:** Yes

#### **Section 4 - Contact Details and Background Papers**

**Contact:** Paul Deal – Corporate Manager for Finance, Property & Climate Change  
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**Background papers:**