



Finance Advisory Network Newsletter: July 2023

Advisor Update

Welcome to the July 2023 FAN Newsletter for organisations that currently don't subscribe.

This month's newsletter contains the usual update on CIPFA announcements and details of upcoming network events that we hope are of interest to practitioners across England, Wales and Scotland.

That's it for this month. Stay safe and best wishes David, Jen and Mark

[FAN Homepage](#)

Scheduled Events

Understanding Local Authority Accounts for Councillors
[24 August 2023](#)

Introduction to Local Government Reporting Principles and Practices
[30 August 2023](#)

Introduction to Financial Planning
[04 October 2023](#)

PTN IFRS16 Leases - A Valuers Perspective
[10 October 2023](#)

Introduction to Collection Fund Accounting in England
[12 October 2023](#)

Introduction to Local Authority Capital Accounting
[17 October 2023](#)

Introduction to Budgeting
[18 October 2023](#)

Introduction to Local Government Finance
[09 November 2023](#)

Introduction to Accounting for Groups and Collaborative Arrangements
[14 & 15 November 2023](#)

Introduction to Local Government Reporting Principles and Practices
[23 November 2023](#)

[All CIPFA Events](#)

Network and CIPFA News

Code of practice now available for purchase

The Code of practice on Local Authority Accounting in the United Kingdom for 2023/24 is now available to purchase both as a [hard copy](#) and a [digital PDF](#), or if you have a publications subscription you can download it from the website.

IFRS 16 Leases - Are you on track for 2024/25 implementation?

At the Local Authority Accounting Conference on 18 July, it was confirmed that the new leasing standard IFRS 16 will be implemented in the 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom. While the 2024/25 Code Consultation (due imminently) will seek feedback on readiness, it's important that your organisation reviews its own preparations to make sure all is on track.

Appendix F to the current Code sets out how lease accounting will work under IFRS 16, and detailed guidance has been made available alongside the 2022/23 Code Guidance Notes (also separately available as a stand-alone 2023 publication). To assist authorities with their preparations, CIPFA added an appendix to the 2022/23 closedown bulletin ([CIPFA Bulletin 14](#)) with an outline project plan for the 2024/25 implementation of IFRS 16, listing key tasks and providing suggested project review points on a timeline taking you through transition and to the first year of application. The project plan recommends that by the end of July 2023 the authority should have:

- established a project team
- undertaken a readiness assessment
- understood the financial reporting provisions of the new standard
- established a communications strategy
- reviewed all current leases (and contracts that might contain a lease) as well as having identified any 'nil consideration' leases.

Does this describe where you are? If not, it's time to act.

There are some key preparation tasks that require actions to be taken far in advance of the 2024/25 accounts closedown timetable - these tasks will include revisions of accounting policies, for example defining what you consider a 'low value asset' and how to establish your 'incremental borrowing rate'. These policy decisions will be important in being able to estimate the impact on the balance sheet on transition to the new standard. Linked to that, one factor that may have slipped under the radar is that IFRS 16 will impact on your Capital Financing Requirement and Prudential Indicators (with more leased assets typically being recognised on balance sheet) and the prudential indicators for 2024/25 will probably need to be estimated in this calendar year! Understanding which leases are likely to come on balance sheet and which ones might be exempt will require those policy decisions to have been considered.

FAN are planning to run further events on IFRS 16 so watch out for details through our alerts, newsletters and social media. We are also covering aspects on IFRS 16 in our Capital Hot Topics series (details to follow soon) so if there are any specific aspects of the new standard you would like us to cover in those events please drop David an email with your 'IFRS 16 and Capital wish-list' and we will factor that into our event planning.

With just **35 weeks** left until the transition date, and even less time before authorities set their prudential indicators for 2024/25, it's important to review your progress against the suggested project plan and take action now to ensure you are ready.

Don't forget that subscribers have access to the FAN advisors for any technical accounting queries, although arguably the biggest challenge for the introduction of IFRS 16 is not the debits and credits (though they are important), rather it's making sure you have captured all the information required on existing leases (and potential leases) so you can evidence your review process and gain assurance that anything material has been identified. Also that the data required is available to support both transition, and 'business as usual' under IFRS 16. We hope this reminder is helpful.

Consultation: Capital Risk Metrics

In May 2022, the government introduced [The Levelling Up and Regeneration Bill](#) ("the LUR Bill"), which includes new provisions with respect to council borrowing and investing. These

expand the government's statutory powers to directly tackle excessive risk within the local government capital system.

The government is now carefully considering the available options for the calculation methods for each of the metrics. It is the aim of this consultation to collect the views of authorities, sector representatives and relevant stakeholders with respect to the calculations of the metrics. This consultation is one part of the government's planned engagement. There will also be a series of sector roundtables and other opportunities for stakeholders to engage.

Four new proposed measures under 4 headings:

- The total of a Local Authority's debt (including credit arrangements) compared to the financial resources at the disposal of the Authority
- The proportion of the total of a local authority's capital assets which are investments made, or held, wholly or mainly in order to generate financial return
- The proportion of a local authority's debt (including credit arrangements) where the counterparty is not central government or a local authority.
- Authorities making inadequate MRP contributions, are at risk of not being able to pay the principal of their debt when it becomes due.

Deadline for response is **21 September 2023**

Read more and respond on the [UK Government Website](#)

Roundtable Events

Financial planning and partnership in integrated care systems (ICSs)

With ICSs up and running for over a year and system financial planning in place since 2022/23, what lessons have we learned so far? This will be the topic of discussion at a roundtable, hosted by CIPFA and kindly sponsored by NEP. This event will bring together finance directors from across the NHS and local government to consider some of the issues involved in financial planning and partnership in ICSs. Topics covered will include:

- the accountabilities of finance directors in ICSs
 - effective financial planning and partnership across NHS and local government
 - what lessons have been learned to inform the 2024/25 financial planning round
- Attendees will receive a copy of the new Insight briefing on financial planning and partnership in ICSs.

Join us at this virtual event on Tuesday 5th September, 13:00-15:00 for interesting discussion.

To secure your place please email eleonor.roy@cipfa.org

Transformation and Collaboration

The following roundtable has been rescheduled and is now available for booking:

Topic: Transformation and Collaboration – The solution for surviving uncertainty?

Date/Time: Tuesday 12th September, 10.30am-12.30pm (lunch and refreshments will be provided)

Location: CIPFA Chester Office (The Quadrant, Sealand Road, Chester, CH1 4QR)

Overview: In line with recent public sector research, we will discuss the following key topics:

- Why we need finance transformation and what makes transformation successful
- The role of finance in the transformation agenda
- The importance of considering sustainability and diversity in the transformation process
- What is next for automation, machine learning and considering the use of AI in forecasting – where are you seeing the benefits currently?

You will get the chance to contribute to the discussion and will receive the report following this. The event is free to attend, to secure your place or for more info, please reply to this email fiona.cantwell@cipfa.org

Consultation outcome – Police/ Firefighters Pension Scheme retrospective remedies (McCloud)

On 19 July the Government published its response to February’s consultations on the latest set of legislative proposals in response to the McCloud judgement for both the Police and Firefighters’ Pension Schemes. Following completion of this process, the final Regulations are now expected to come into force on 1 October 2023.

Read more:

[Police Pension Scheme retrospective remedy - GOV.UK \(www.gov.uk\)](https://www.gov.uk).

Follow FAN on Twitter and connect to us on LinkedIn

[David](#) and [Jen](#) regularly tweet details of relevant news stories, FAN event update and CIPFA consultation alerts, etc. We encourage subscribers to follow CIPFA network advisors on Twitter for the latest news, so even if you don’t ‘tweet’ yourself, it’s a great way to keep updated on key issues affecting local authority finance and accounting.

Click to find David and Jen on Twitter, or search for all our network advisor tweets using the hashtag [#cipfanetworks](#).

We can all be found on LinkedIn and increasingly use social media for additional FAN updates, so if you are on LinkedIn then please feel free to connect to [David](#), [Jen](#) and [Mark](#)

LinkedIn Discussions

CIPFA has its own [LinkedIn](#) group where you can find up to date announcements and discussions on all the latest issues in the public sector. Why not join in one of the discussions or start a conversation of your own?

News Roundup

This service is for FAN subscribers only

Publications

[Code of Practice on Local Authority Accounting in the United Kingdom 2022/23](#)

[IFRS 16 Leases: A Guide For Local Authority Practitioners 2023 Edition](#)

[Code Of Practice On Local Authority Accounting In The United Kingdom: Guidance Notes For 2022/23 Accounts](#)

[Service Reporting Code Of Practice For Local Authorities 2023/24](#)

[Code Of Practice on Local Authority Accounting in the UK Disclosure Checklist for 2022/23 accounts](#)

[Audit Committees: Practical Guidance For Local Authorities And Police \(2022 edition\)](#).

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