



North Devon Council

Report Date: Governance Committee: 11th March 2025

Topic: Major changes to Accounting Policies

Report by: Director of Resources and Deputy Chief Executive

1. INTRODUCTION

1.1. The following report sets out the changes to the Accounting Policies for the 2024/25 Statement of Accounts, to reflect the introduction of IFRS 16 which impacts on lease arrangements.

2. RECOMMENDATIONS

2.1 That Governance Committee approve the amendments for the 2024/25 Accounting Policy changes as contained in Appendix A. (xvii Leases – red text indicates changes)

3. REASONS FOR RECOMMENDATIONS

3.1. To adopt the IFRS16 accountancy policy changes for 2024/25.

4. REPORT

4.1. The Chartered Institute of Public Finance and Accountancy (CIFPA) Code of Local Authority Accounting 2024/25 requires the implementation of IFRS16 reporting standard. IFRS16 is the International Financial Reporting Standard that provides guidance on accounting or leases.

4.2. The introduction of IFRS16 brings a major change to the Authority as a Lessee. Lessor accounting is unchanged.

4.3. The new accounting standard requires that the rights to use items/assets acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition.

4.4. The lease payments are discounted to their present value using the interest rate implicit in the lease, or where this is not readily determinable the Authorities incremental borrowing rate.

4.5. The asset and the liability are both brought onto the balance sheet under the new regulations.

4.6. Where leases for items of low value, under £10,000, the amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item and are exempt from the IFRS16 standard.

5. RESOURCE IMPLICATIONS



5.1. Over the life of the asset treated under this standard there are no resource implication but by discounting the minimum lease payments there could be a weighting of the costs in the later years.

6. EQUALITIES ASSESSMENT

6.1. There are no equality implications anticipated as a result of this report.

7. ENVIRONMENTAL ASSESSMENTS

7.1 There are not any environmental implications anticipated as a result of this report, the purpose of this report is to amend the Accounting Policies for 2024-25.

8. CORPORATE PRIORITIES

8.1 By adopting the IFRS16 standards we are correctly following changes in the Financial regulations and therefore contributing to the delivery of the Council's corporate objectives.

9. CONSTITUTIONAL CONTEXT

9.1. The decision in respect of the recommendations in this report can be made by this Committee pursuant to delegated powers provided in Part 3 Annexe 1 paragraph 5 of the Constitution.

10. STATEMENT OF CONFIDENTIALITY

10.1. This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

11. BACKGROUND PAPERS

11.1. None.

12. STATEMENT OF INTERNAL ADVICE

12.1. The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Author Tony Rumble, Finance Manager; Date 3rd March 2025.