

## Project plan for implementing IFRS 16 *Leases*

	Action	Description	Dates
1	Establish a project team	<p>Establish a project team to implement IFRS 16 reporting to the CFO and other relevant groupings (eg the Audit Committee) on progress on the plan. This should include:</p> <ul style="list-style-type: none"> <li>• relevant members of the finance team (including capital finance and those preparing the financial statements)</li> <li>• property managers within the authority, including the assistance from experts in measurement of property, plant and equipment</li> <li>• IT managers to assist with systems assessment</li> <li>• key services holding major leases prioritising contract managers.</li> </ul> <p>Note that there may need to be a sub-group of the project team dealing with the financial reporting implications.</p>	April 2023
2	Establish the governance for the project team	<p>Ensure that the governance for the project team is clearly established with appropriate reporting arrangements to the CFO and as necessary to local authority management (Cabinet) and the Audit Committee.</p>	April 2023
3	Undertake a readiness assessment for implementation of IFRS 16	<p>Project team to undertake a readiness assessment for implementing IFRS 16. This might require revisiting an earlier project plan. Key questions the readiness assessment might undertake are:</p> <ol style="list-style-type: none"> <li>1. Is the authority able to locate all its leases or contract documentation that might contain leases?</li> <li>2. What systems will it need to manage the leases and the information contained therein to implement the standard? (This will include contract management systems, asset management systems and changes to the financial reporting systems.)</li> <li>3. An assessment of the accounting requirements, what this will mean for the</li> </ol>	Complete by end of April 2023

	<b>Action</b>	<b>Description</b>	<b>Dates</b>
		<p>financial statements and the prudential framework including the capital strategy. Note that this will not just include finance staff but should be considered across directorates.</p> <ol style="list-style-type: none"> <li>4. Decide whether the authority will do the minimum required for compliance with the Code's implementation of the standards or seek to achieve wider benefits such as a single comprehensive lease register, integration in procurement decisions</li> <li>5. What impact will this have on a local authority's operational plans including the relevant financial management plans and procurement plans (ie including asset acquisitions)?</li> <li>6. How will the authority manage the change in accounting policies?</li> <li>7. What approach will the authority take to the transitional arrangements?</li> <li>8. How will the authority measure the right-of-use assets?</li> </ol>	
4	Understand the financial reporting provisions of the standard	<p>IFRS 16 is a complex standard to implement. Local authority finance teams will need to be fully versed in the implications for its leases, and contracts that might contain leases. An authority will need to make various decisions in preparation for the standard (including having appropriate systems in place) this may include:</p> <ol style="list-style-type: none"> <li>1. Its approach to the accounting policies including the right-of-use assets and their subsequent measurement.</li> <li>2. The impact on service concession arrangements (PFI/PPP) contracts and their accounting policies.</li> <li>3. Contracts that will meet the definition of short-term leases to be identified.</li> <li>4. Which leases will meet the exemption for short-term leases?</li> <li>5. The approach to the initial measurement of lease assets and liabilities (in accordance with the provisions in the Code).</li> <li>6. The approach to presentation of the financial statements including the</li> </ol>	Complete by end of April 2023

	Action	Description	Dates
		<p>Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement (in accordance with the provisions in the Code).</p> <p>7. The impact on the disclosures including the statement of material accounting policies (in accordance with the provisions in the Code).</p> <p>8. The interaction with the capital finance system including the MRP, prudential indicators and capital strategy.</p> <p>9. Whether finance and other staff and members need training and what form the training might take.</p>	
5	Establish a communications strategy for the implementation of IFRS 16	It will be important that all key stakeholders understand the impact that IFRS 16 will have on the financial statements and the importance of the information that departments might hold on leases. It is suggested that a communications strategy is developed to increase this understanding across the authority and for relevant members.	Complete by end of June 2023
6	Review current leases or contracts that might contain leases	<p>Ensure that all existing leases or contracts that contain leases can be identified and that there are processes in place to identify and manage any new contracts.</p> <p>The Code includes a requirement to use the 'grandfathering' provisions of IFRS 16 <i>Leases</i>. Therefore, any contracts containing a lease under IAS 17 <i>Leases</i> and IFRIC 4 <i>Determining Whether an Arrangement Contains a Lease</i> will continue to be assessed as such (or where these assessments decided that no leases existed). However, this assumes that previous contract assessment procedures were robust. Auditors are likely to require evidence that this was the case. Where this is not the case this may need to be revisited.</p>	Complete by end of June 2023
7	Review for any leases or contracts containing a lease with leases	The grandfathering provisions will not be able to include contracts where leases are for nil consideration as the public sector in the UK has changed the definition of leases to	Complete by end of June 2023

	Action	Description	Dates
	for nil consideration	include leases at nil consideration or 'peppercorn' amounts. So local authorities are advised to identify the accounting treatment of leases at nil consideration.	
8	<b>Project review point 1</b>	<b>It is recommended that there are regular review processes for the preparations for implementation and this is the first suggested review point.</b>	<b>Completed by end of June 2023</b>
9	Undertake initial assurance assessment on lease data – identify any gaps	Where local authorities have significant leases, this will be a significant data management task both for implementation and future information management. Local authorities are advised to ensure that their systems meet the requirements of data management and undertake frequent assurance testing on the data. <ol style="list-style-type: none"> <li>1. Are there any gaps in the information (including information on leases and sub-leases)?</li> <li>2. Can the systems produce the relevant outputs on timely basis?</li> <li>3. Are there appropriate controls and tests in place?</li> <li>4. Is information accurate and up to date?</li> <li>5. Are there any system duplications? Where necessary, can information systems be streamlined (ideally the number of separate systems used should be minimised)?</li> </ol> It is suggested that there are relevant reviews by an authority's internal audit function.	Complete by end of October 2023
10	Ensure that systems and information are available to be calculated for existing and future leases	For current and future leases (including leases at nil consideration) can all the information required for the accounting requirements of the Code's implementation of IFRS 16 be provided. This will include (but is not likely to be limited to): <ul style="list-style-type: none"> <li>• lease terms/remaining lease terms</li> <li>• information to measure the lease liability and right-of-use asset (including information on current and future rents, lease costs and rent reviews)</li> </ul>	Complete by end of September 2023

	Action	Description	Dates
		<ul style="list-style-type: none"> <li>• implicit interest rates inherent in the lease/or incremental cost of borrowing</li> <li>• lease options (including possible lease-term extensions or other options relating to the lease term, termination clauses and penalties and purchase options)</li> <li>• transitional reporting and decisions.</li> </ul>	
11	Take decisions on how right-of-use assets will be measured and whether external valuers will be required	The subsequent measurement of the right-of-use asset includes a practical expedient allowing right-of-use assets to be carried at historical cost. However, local authorities will need to decide whether it is appropriate. Where it is not appropriate, subsequent measurement of the right-of-use asset will be at current value. Local authorities should assess how many assets will need to be measured by valuers and decide processes and timings for this.	Complete by end of October 2023
12	<b>Project review point 2</b>	<b>It is recommended that there are regular review processes for the preparations for implementation. This is the second review point.</b>	<b>Complete by end of October 2023</b>
13	Undertake modelling of lease and service concession arrangement lease calculations and consider the processes for how this information will be able to be updated for new leases, new information and rent reviews	Local authorities will need to ensure that they have the information available to undertake the calculations/estimates for lease liabilities and initial measurement of the right-of-use asset as of 1 April 2024 and maintain this for subsequent years in accordance with the provisions in the Code. This will include the information required for transition (see step 27). The information systems will need to be able to be updated for new leases, new information and rent reviews.	Complete by end of November 2023
14	Decide implications for operational strategic and report to relevant groups	Budgetary implications for 2024/25 should be assessed and these included in the medium-term financial plan, an authority's prudential indicators and capital strategies. Although the capital finance systems should ensure that this does not have an impact on what is charged to council tax, it is recommended	Complete by end of November 2023

	Action	Description	Dates
		that local authorities undertake a review of their leases to ensure that this is the case. Separate consideration will be needed for the impact on the Housing Revenue Account in England. Note that local authorities in Scotland may need to consider the implications of the Scottish Government Capital Accounting Review.	
15	Understand any remaining information gaps	Following steps 1 to 14, assess whether there are any remaining information gaps and how they will be resolved using the provisions of the Code's implementation of IFRS 16.	Complete by end of December 2023
16	Commission any external assessments for the right-of-use asset	Make decisions on the measurement of the right-of-use asset for leases where an authority decides it cannot use the cost model or where it decides not to use the practical expedient.	Complete by end of December 2023
17	<b>Project review point 3</b>	<b>It is recommended that there are regular review processes for the preparations for implementation. This is the third review point.</b>	<b>Complete by end of December 2023</b>
18	Produce draft accounting policies for 2023/24 (note this is to test the ability to produce the 2024/25 information)	Produce draft accounting policies including changes to the financial statements and disclosures to test information systems and the ability to produce the information in the 2024/25 financial statements – note that comparative information changes will not be required on transition. It will assist with the preparation of step 21.	Complete by end of January 2024
19	Engage with local auditors	Review progress with external auditors and particularly the draft accounting policies and impact on the financial statements.	Complete by end of January 2024
20	Prudential indicators/capital strategy	Set prudential indicators and capital strategy to include the impact of right-of-use assets on the capital financing requirement and lease liabilities on borrowing limits.	Complete by end of January 2024
21	2023/24 financial statements – prepare IFRS 16 information for IAS 8 <i>Accounting</i>	The 2024/25 Code will specify the IAS 8 reporting requirements for the 2023/24 accounts. This will include the requirements due to the mandatory implementation of IFRS 16 in 2024/25.	By 31 May 2024

	Action	Description	Dates
	<i>Policies, Changes in Accounting Estimates and Errors</i> disclosures for standards issued and not yet adopted		
22	<b>Project review point 4</b>	<b>It is recommended that there are regular review processes for the preparations for implementation. This is the fourth review point.</b>	<b>Complete by end of June 2024</b>
23	Engage with local auditors as a part of the audit of the 2023/24 financial statements	It is suggested that additional time is allowed in the assurance of the 2023/24 financial statements to consider the outcomes of the IAS 8 disclosures on IFRS 16 and other progress towards proper implementation of the standard.	June to end of September 2024
24	2024/25 implementation	Entries should be made in the accounts for lease liabilities in accordance with the standard and updates made as necessary.	As necessary throughout 2024/25
25	Engage with local auditors	It is suggested that a follow up review is undertaken with local auditors to discuss progress towards the information required in the financial statements.	October/November 2024
26	<b>Project review point 5</b>	<b>It is recommended that there are regular review processes for the preparations for implementation. This is the fifth review point.</b>	<b>Complete by end of November 2024</b>
27	Produce draft disclosures for the 2024/25 accounts	Produced estimated information and draft disclosures and changes to the financial statements for the 2024/25 accounts to test for final information gaps, system and data assurance and accuracy.	January 2025
28	Finalise decisions to be taken on the transitional reporting requirements	Chapter 9 of the guidance on IFRS 16 includes both detailed guidance on application of the transitional specifications of the Code but also includes description of what an authority needs to consider.	January 2025

	<b>Action</b>	<b>Description</b>	<b>Dates</b>
		Local authorities will need to finalise the decisions taken on transitional reporting requirements. Note that some on the interpretations in the Code have reduced the decisions required. Step 27 should be taken alongside step 28.	
<b>29</b>	Engage with local auditors	Test draft information with local auditors (ie both steps 27 and 28).	February 2025
<b>30</b>	Final accounts 2024/25 information	Produce final accounts information for 2024/25	31 May 2025
<b>31</b>	<b>Post implementation review – IFRS 16</b>	<b>Using audit feedback and project team review undertake post implementation review (project review point 6.</b>	<b>October/November 2025</b>