



## **Preparation for International Financial Reporting Standards - IFRS**

### **RECOMMENDATION**

- 1.1 To note from 2010/11 the statutory requirements to prepare the Council's Accounts in line with International Financial Reporting Standards - IFRS - and in accordance with the CIPFA IFRS based Code of Practice.
- 1.2 To highlight the progress made in preparation for IFRS implementation within the prescribed timescales.

### **SUPPORTING INFORMATION**

- 2.1 From 2010/11 local authorities will be required to prepare their accounts in line with IFRS. As comparative information for 2009/10 is required, this will mean that the transition to IFRS will begin on 1 April 2009 and we will therefore need to produce an IFRS compliant opening balance sheet at 1 April 2009.
- 2.2 The move to IFRS will bring a number of accounting changes to the treatment of:
  - Private Finance Initiative - PFI - assets
  - Leases and financing transactions
  - Fixed asset accounting - Property, Plant and Equipment
  - Employee Benefits.

All other changes under IFRS will take effect in the accounts from 2010/11, including changes to the layout and disclosures to the financial statements.

- 2.3 Changes to the accounting approach to PFI and Public, Private Partnerships - PPP - have been proposed to be introduced a year early in 2009/10. The new accounting principles will mean that schemes previously accounted for off-balance sheet will need to come onto the balance sheet in almost all cases. Given the critical timescales to implement this change and due to the complexities of this area, we will be seeking external advice to ensure we implement these accounting changes correctly.
- 2.4 All leases will need to be reviewed to understand whether any of our assets procured through leases should belong on the Council's balance sheet. This will have a significant impact on the Estates Team's workload.
- 2.5 As part of the fixed asset accounting changes, we will need to determine the 'fair value' of all our assets on a regular basis. We will be discussing the sample size with

our auditor in due course. Any employee benefits not taken by staff (eg holidays, flexitime), will need to be accrued in the accounts. This will require staff and managers to keep detailed records of leave and flexitime taken which will be a significant task.

- 2.6 A project team has been established, led by the Assistant Director (Corporate Finance and Performance) to prepare, plan and deliver the work required to implement IFRS. The group is meeting on a monthly basis to ensure its smooth implementation and as IFRS will impact on systems, processes and staff, the group includes representatives from Corporate Finance, Human Resources, Estates, Legal Services and IT. An outline project plan with key milestones is being developed.

**For more information contact:** Zulf Darr (Assistant Director – Corporate Finance and Performance)

**Background papers:** None

**List of appendices:** Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial**

1. See Section 2 above

**Legal**

2. None directly arising.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. None directly arising.