

## 7. Preparation of 2010/11 Statement of Accounts and IFRS

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### Purpose of the Report

To update members of the Audit Committee on the progress being made on implementing statutory required changes in financial reporting from UK General Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS).

### Recommendations

- (1) That members note the progress being made on implementing statutory required changes in financial reporting under International Financial Reporting Standards.
- (2) That members note the restatement of the 2008/09 and 2009/10 balance sheets.

### Background

It is a statutory requirement for all local authority financial statements to be IFRS compliant by 2010/11. In order to prepare IFRS compliant accounts by 2010/11, the Council will need to revise its accounting policies, change the format of its financial statements and include a significant number of additional disclosures. It will need to restate its 2008/09 and 2009/10 comparative figures and report these together with its 2010/11 figures on an IFRS basis.

Members will recall seeing an Action Plan (Appendix A) that was produced to ensure that the Council achieves relevant timescales in order to comply with the statutory requirements.

The main areas that the Council will need to focus on is:

- First time adoption
- Leases (lessee and lessor accounting)
- Fixed Asset Accounting
- Employee Benefits
- Group Accounts
- Segmental Reporting.

### First Time Adoption

To prepare IFRS compliant accounts for 2010/11 with full comparative data, the Council needs to prepare an opening balance sheet that is IFRS compliant as at the transition day of 1<sup>st</sup> April 2009. This will enable comparison figures for 2009/10 to be prepared, with full disclosure of IFRS Statements at 31<sup>st</sup> March 2011.

The main components of the financial statements will remain broadly the same, but there will be some areas such as the format and content of the financial statements where there will be significant changes. Additional disclosures will be required.

Where there have been changes in accounting estimates, disclosure will need to be made of the nature and amount of the change that effects the current period or that is expected to have an effect in future periods, e.g. revision of asset lives.

### Progress on Action Plan

The target dates for individual tasks have been met with the exception of the update report to Audit Committee (due in September 2010) and the report highlighting any changes to the Accounting Policies (due in October 2010). The accounting policies were written in August 2010 and Audit Committee will be asked to approve these in February 2011. The delay in this task was due to an assessment to ensure that the accounting policies were appropriate and fit for purpose.

The key milestones of preparing the 2008/09 and 2009/10 balance sheets have been met successfully and steps are in place to ensure that the restatement of the Comprehensive Income and Expenditure Account, the Movement in Reserves and the Cashflow are prepared by the target date.

### Restatement of Balance Sheets for 2008/09 and 2009/10

The conversions for the balance sheets from UK GAAP to IFRS for 2008/09 and 2009/10 are shown in Appendix B and Appendix C respectively. Adjustments have been carried out for recategorisation, revaluation and necessary depreciation of non-current assets, employee entitlement, government grants deferred, and leases.

The change in net worth from the original 2008/09 balance sheet to the converted balance sheet under IFRS has been an increase of £4.091 million. The change in net worth from the original 2009/10 balance sheet to the converted balance sheet under IFRS is an increase of £6.505 million. Beneath is a summary of the adjustments shown in Appendix B (2008/09) and Appendix C (2009/10).

	2008/09 (£'000)	2009/10 (£'000)
<b>Balance Sheet Per SORP</b>	<b>46,315</b>	<b>16,309</b>
Recategorisation of Non-Current Assets	-2,276	-154
Introduction of Employee Entitlements	-1,040	-1,119
Removal of Government Grants Deferred	7,436	7,791
Recognising Finance Leases	-29	-13
<b>Balance Sheet Per IFRS</b>	<b>50,406</b>	<b>22,814</b>

These changes have been due to changes in accounting policies and not as a result of any operational circumstances.

### Conclusion

Excellent progress has been made, and members should be comforted to know that steps are in place to ensure that statutory deadlines are met and that the 2010/11 accounts are IFRS compliant.

# AC

## Financial Implications

There are no financial implications in accepting this report and the associated recommendations

**Background Papers:** *Audit Committee – 28th January 2010 - Preparation of 2010/11 Statement of Accounts and IFRS Statement of Accounts 2008/09 Statement of Accounts 2009/10*