

MEETING:	AUDIT AND CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
TECHNICAL ACCOUNTING MANAGER	HEATHER FOSTER

Wards Affected

None affected.

Purpose

To report to the Audit and Corporate Governance Committee on the progress for implementing International Financial Reporting Standards (IFRS).

Key Decision

This is not a Key Decision.

Recommendation

THAT the Audit and Corporate Governance Committee note the report.

Key Points Summary

- The council will be required to produce IFRS compliant accounts from 2010/11, with restated comparative data for 2009/10.
- The council's project plan has been developed using CIPFA's recommended format.
- Initial work on accrued employee benefits indicates a cost to the council of around £880,000 unless the government legislates to mitigate the impact.

Alternative Options

1. There are no Alternative Options as all councils are required to produce IFRS compliant accounts from 2010/11.

Further information on the subject of this report is available from Heather Foster, Technical Accounting Manager on 01432 260284

Reasons for Recommendations

2. Not applicable.

Introduction and Background

3. It was agreed at the Audit and Corporate Governance Committee meeting on the 23 January that the progress report and action be presented at future meetings. At Appendix A is the project plan that contains progress to date

Key Considerations

4. In March 2009 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Local Authority Accounting Panel (LAAP) Bulletin providing an outline project plan for councils to use as a starting point for their own project plans. The plan for Herefordshire Council is attached as Appendix A, including key steps, milestone dates and progress achieved to date.
5. The key development since the report to the Audit and Corporate Governance Committee on 28th September is that the exercise to calculate the potential impact of the accrual of employee benefits has been completed.
6. The draft code for IFRS includes the future treatment of benefits payable to staff and requires the cost to be accounted for in the period in which the benefit is earned by the employee. The main impact is likely to be in relation to holiday pay, which authorities will need to accrue for.
7. A sample of employee leave and flexi-time due at 31st March 2009 was taken covering 16% on non-schools employees. The average percentage of employee costs to be accrued was 1.6% of pay costs, which when applied across all employees amounts to around £880,000. This figure has been included in the council's medium term financial strategy.
8. In addition there is a requirement in the draft code to undertake a similar exercise for schools based staff even though they can only take leave during school holidays. Using the methodology provided by the draft Code this would equate to 7.3% of pay, around £5.9m. As schools are funded by Dedicated Schools Grant (DSG) it has been assumed that if this were to impact it would be funded by DSG. Clearly this would have a massive impact nationally.
9. CIPFA has had discussions with the Department for Communities and Local Government to ensure that any impact on council tax is minimised. It is not clear whether a decision will be made in time for setting the 2010/11 budget.

Community Impact

10. Not applicable.

Financial Implications

10. There may be financial implications as set out in the report.

Legal Implications

11. None.

Risk Management

12. If IFRS is not interpreted correctly in the council's accounts and implemented in accordance with the required timetable it would impact on the Auditor's opinion on the accounts and the Use of Resources score. The management of this identified risk has commenced as evidenced by attendance of staff on relevant training courses.
13. The successful delivery of unqualified accounts will require greater involvement from non-financial services staff than has previously been the case. IFRS will form part of the council's financial training programme implemented as part of the Crookhall action plan.
14. Sound project management will be a crucial part of the process to keep the project on track and to identify potential problems at an early stage. This may require additional resources and the Director of Resources will ensure this important project has the appropriate level of resource to meet requirements.

Consultees

15. None.

Appendices

16. Appendix A – IFRS Project Plan.

Background Papers

- CIPFA LAAP Bulletin 80 March 2009 – Implementation of IFRS – Outline Project Plan