# <u>Herefordshire Council IFRS Implementation – Detailed Action Plan</u>

Finance project team – Heather Foster, Josie Smith, Julia Hathaway, Sarah Curtis Property Lead – Alison Hext Legal leads – Martin Watts, Linden Dunham

General	Action Required	Ву	Progress to date	Lead role
IFRS Preparation	Carry out high level impact assessment using information on CIPFA website (and other resources where available)	Mar 09	Impact assessment was carried out with H & W Financial Managers Group on 6 <sup>th</sup> March. Sub groups were set up to review key changes	Finance project team
	Identify key changes to accounting policies		Key areas;     PFI     Leases     Tangible Assets     Employee     Presentation	
	Identify key staff	June 09	Key staff have been	Heather Foster
	Key staff and members trained on IFRS transition	Ongoing from Sept 08	<ul><li>identified.</li><li>Key finance and property staff and members have attended training sessions.</li></ul>	Foster
	Identify systems and procedural changes	July 2009	<ul> <li>Integrated asset register required.</li> <li>New procedures around fixed assets and leases</li> <li>New procedures to collect employee benefits data</li> </ul>	Finance project team
	Identify likely impact on budgets	Mar–Nov 09	Impacts on budget from employee benefits and leasing are to be reversed by legislation	Heather Foster

Transition Balance Sheet / accounts	Obtain information required to restate 1 April 2009 balance sheet	Nov 09 Revised date Mar 10  • Equipment leases have been reviewed. Land leases are being reviewed. PFI calculation with external audit for review. Contracts being reviewed to identify embedded leases. Holiday and flexi calculation completed Meetings held with external audit to discuss approach
	Set up IFRS compliant financial statements templates	Skeleton accounts     prepared based on draft     code  Heather Foster
	Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS.	Nov 09  Key areas identified and being progressed. Cipfa have acknowledged that Dec was an aspirational target, which councils are not achieving.  Heather Foster
IFRS Statement of Accounts	<ul> <li>Complete comparative shadow accounts and notes for 2009/10 under IFRS</li> <li>Full statement of accounts required 30<sup>th</sup> June 2011 (for year ended 2010/11)</li> </ul>	Aug 2010 • Key areas identified Heather Foster  June 2011
Produce reconciliation statement where implementation of IFRS has a significant impact. Need to reconcile taxpayers equity between 31/3/09 accounts produced under UKGAAP and IFRS accounts produced at 1/04/09 under IFRS	<ul> <li>Financial statements need to be amended to the new format (statement of financial position, statement of income, cash-flow statement, statement of changes in equity etc).</li> <li>3<sup>rd</sup> column on balance sheet to be added for prior year adjustments</li> <li>Need to produce a reconciliation between UK GAAP and IFRS</li> </ul>	Mar-10 Heather Foster

Key Areas in detail	Action Required	Ву	Progress to date	Lead role
Format of Accounts	•			
Format of financial statements, main statements and disclosure required in the notes significantly changes under IFRS	<ul> <li>Review CIPFA Guidance and training materials</li> <li>Review format of the financial statements and new notes etc required</li> <li>Set up financial statements pro-forma template will all revised statements and notes</li> </ul>	Nov 09	Completed in line with draft Code by mid Dec. To be reviewed on publication of final Code.	Heather Foster
Operating segments:				
This objective is to do with the disclosure of information that enables the reader of the financial statements to evaluate the nature and financial effects of business activities.	<ul> <li>Review alignment of internal and external reporting formats</li> <li>Review need to produce balance sheet for each "segment" i.e. each SLB level council service?</li> <li>Still need to prepare accounts on BVACOP basis.</li> </ul>	Nov 09	Skeleton accounts include BVACOP analysis in I&E statement with Directorate analysis in notes. Awaiting guidance on B/S – anticipating only one segment required.	Heather Foster
Leases (IAS 17)				
Leases need to be split between the land and building elements and re-assessed as operational or finance.	<ul> <li>Obtain list of all leases (land and buildings, equipment etc), incl. schools</li> <li>Split assets of leased properties between value of land and value of buildings</li> <li>List all properties and lease end dates / annual lease payments</li> <li>Identify those leases where buildings lease is equal 20 years or more and review leases against IAS 17 criteria</li> <li>For leased buildings under 20 years, identify significant leases and review against IAS 17 criteria</li> <li>Review all equipment leases where lease payment significant or lease term is majority of asset life</li> <li>Determine whether leases are operational or finance</li> </ul>	Dec 09	<ul> <li>Property list received</li> <li>Operating and car leases available</li> <li>Large number of property leases below £10k deminimus</li> <li>Lindsey reviewing major contracts list and periodic payments</li> </ul>	Josie Smith/Alison Hext

	<ul> <li>List and Review all contracts for embedded leases</li> <li>Ensure there is a timetable for collection of data from third parties if necessary (identify who these third parties may be and the data required)</li> <li>Produce schedule / WP on classifications</li> <li>Produce schedule / WP of accounting adjustments required for transition balance sheet</li> </ul>			
Private Finance Initiative  Where the public sector body controls both the assets usage	<ul> <li>Draw up schedule of PFI schemes</li> <li>Review PFI agreements under IFRIC 12 to</li> </ul>	Nov 09	2 PFIs – Whitecross school and waste disposal. WCC	Josie Smith
and the residual interest, it will come on to their balance sheet as an asset. Also an entry will need to go on the balance sheet in the form of a liability in a manner	<ul> <li>determine if on or off balance sheet</li> <li>Obtain details for each scheme for the project agreement, variations, financial model etc</li> <li>Apply control tests under IFRIC 12 to determine if</li> </ul>		leading on Waste. Both to be brought 'on-balance sheet'	
similar to a finance lease.  Brought in 1 year early – from 2009/10 accounts	<ul> <li>each scheme is on or off balance sheet</li> <li>Determine fair value of assets at inception date</li> <li>Calculate interest rate implicit in contract</li> <li>Split unitary charge between principal, interest / finance charge and service cost</li> </ul>		Contract cash flows identified and initial calculations sent to Audit Commission	
	<ul> <li>Remove all unitary charge costs from accounts</li> <li>Recognise assets and liabilities on balance sheet, account for service costs and MRP</li> </ul>		<ul> <li>Meeting held with Audit Commission and WCC.</li> </ul>	
	<ul> <li>Restate balance sheet as at 1.4.08 and 08/09 comparative figures:</li> <li>Value assets as at 1 April 09</li> </ul>	Jan 10		Alison Hext
	<ul> <li>Action accounting entries for revaluation</li> <li>Calculate revised CFR and adjust Prudential indicators</li> </ul>			Sarah Curtis
	<ul> <li>Audit commission review of PFI treatment</li> <li>Treatment of PFI support grant needs to be accounted for in line with IAS 20</li> <li>Produce 2009/10 accounts on PFI IFRS basis</li> </ul>	Feb 2010 May 2010		Audit Comm

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Service Concessions –IFRIC					
'Similar contracts' to PFI where the	•	Identify potential contracts through contracts	Feb	Initial list of potential contracts;	Josie Smith
operator constructs or enhances		register	2010	Waste collection – not IFRIC	
infrastructure used in the provision	•	Obtain legal advice on potential contracts		12	Martin
of a public service, and operates and				<ul> <li>Shaw Homes</li> </ul>	Watts/Linden
maintains that infrastructure for a specified period of time.					Dunham
specified period of circles			1	1	
Financial Instruments: (IAS 23					
& 39)					
(Financial instruments were	•	Update IFRS financial statements templates for	Nov-09		Heather
adopted in UK GAAP for local Government for the 2007/08		any new notes / disclosure requirements			Foster
closedown.) This necessitated an					
examination of all financial					
contracts the Local Authority was a					
party to. Further work will be					
needed to extend the information					
further.					
Employee Benefits: (IAS 19)					
This IFRS specifically requires	•	Design form for collecting holiday and flexi	July-09	Completed	Shirley
Authorities to accrue for untaken		information – non-schools			Coultas/Julia
holiday entitlement and flexi-leave	•	Agree approach with external audit			Hathaway
at year end.	•	Collect data for 31/3/09 from sample of staff to	Aug-09		
		restate the balance sheet 1/4/09	Oct 09		
	•	Calculate 2008/09 closing accrual for non- schools staff	00109		
	•	Estimate accruals for school based staff using CIPFA methodology			
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Property, Plant & Equipment			
This may result in a difference in the valuation basis used for Fixed Assets. Under IFRS "fair value" is usually determined from market based evidence so where a market exists for assets that have previously been valued at existing use value, differences are likely to be encountered.  Fixed assets are classified differently under IFRS.  Component parts of assets have to be valued and depreciated separately.	<ul> <li>Property – Review the basis of valuation for Fair Value. Revalue any asset where the basis of valuation changes under IFRS.</li> <li>Review all residual values at 31/3/2010. This applies to 09/10 accounts and not the transition balance sheet.</li> <li>Determine the criteria for identifying component parts to PPE</li> <li>Identify components of 2010 capital programme</li> <li>Review DRC calculations – (needs to be 'modern equivalent')</li> <li>Review assets held as investment properties and reclassify if they don't meet the IFRS criteria</li> <li>Investment properties reclassified as PPE will need to be valued under fair value – market value</li> <li>Assets held for sale must be classified as such and measured at lower of carrying amount and fair value, must be presented separately on balance sheet</li> <li>Determine revaluation policy</li> <li>Review asset lives (50 year rule does not apply under IFRS)</li> <li>2009/10 to be reviewed for possible restatement</li> </ul>	Mar 2010	Alison Hext  Josie Smith  Alison Hext/Sarah Curtis  Alison Hext/Sarah Curtis
Investment Property			 
IFRS alters the accounting arrangements for changes in valuation of Investment Properties and requires annual valuations	<ul> <li>Opening balance sheet to be restated for balances held on the Revaluation Reserve for Investment Properties. The adjustment is Cr Reserve Dr Capital Adjustment Account (CAA)</li> <li>Properties transferred in the year to be re-valued on Transfer (existing use value) and restated</li> </ul>	Mar 2010	Alison Hext/Sarah Curtis

	<ul> <li>under IFRS balance sheet.</li> <li>Restate 2009/10 transactions for revaluations, depreciation and acquisitions</li> </ul>	Aug 2010
Non Current Assets Held for Sale		
IFRS definition is much tighter than the SORP definition for Surplus Properties.	<ul> <li>Review all Surplus assets for compliance with the IFRS definitions of Held for Sale and transfer any out which do not meet this definition.</li> <li>Transfer any properties currently within Operational categories, which are due for sale and restate values at lower of carrying cost or fair value less costs to sell.</li> <li>Restate the opening balance sheet for these changes</li> <li>Write back any depreciation charged on assets held for sale in transition balance sheet.</li> </ul>	Alison Hext/Sarah Curtis
Intangible Assets: (IAS 38)		
As the SORP rules for identifying Intangible Assets was tighter than allowed under IFRS, It is unlikely that any transition actions will be required.	Review Intangible assets for compliance with IFRS and restate balance sheet for any which are affected.	Dec-09
Impairment of Assets:		
IFRS requires a different approach to charging for impairment costs. Under IFRS only the amount which exceeds any balance on the Revaluation Reserve is charged to I&E.	<ul> <li>Determine whether any changes required for 1/4/09 balance sheet.</li> <li>Review 2009/10 impairments accounting for possible restatement.</li> </ul>	Mar 2010

There is a clear distinction between Impairment and Revaluation.			
Infrastructure Assets			
Valuation of infrastructure assets to move to current valuation after 2010/11	<ul> <li>There are no transition changes to Infrastructure Assets as the basis of valuation is unaltered in 2010/11</li> <li>WGA return for 2009/10 will require gross replacement cost to be identified</li> </ul>	TBC July 2010	Julia Hathaway
Cashflow statement			
New format - Simplified headings .Cashflow reconciles cash and cash equivalents rather than liquid resources.	Restate 2009/10 cash flow for IFRS format	Aug-10	Heather Foster
Group Accounts			
Accounting for subsidiaries not significantly different to UK GAAP. Definition of associates changed under IAS 28	<ul> <li>Review group account arrangements under IFRS 3, IAS 28 and IAS 31</li> <li>Review joint arrangements as to whether they constitute a joint venture</li> </ul>	Mar 2010	Heather Foster/Legal Services
Capital Grants			
	<ul> <li>Review disclosure notes for grants and income against revised income recognition guidance</li> <li>Government grants to be recognised in I&amp;E account as received under IFRS</li> <li>Government Grants Deferred Account to be written off to CAA on transition</li> <li>Review treatment of Unapplied and unspent capital grants.</li> </ul>	Mar-10	Josie Smith