

**Herefordshire Council IFRS Implementation – Detailed Action Plan**

**Finance project team** – Heather Foster, Josie Smith, Julia Hathaway, Sarah Curtis

**Property Lead** – Alison Hext

**Legal leads** – Martin Watts, Linden Dunham

General	Action Required	By	Progress to date	Lead role
IFRS Preparation	<ul style="list-style-type: none"> <li>Carry out high level impact assessment using information on CIPFA website (and other resources where available)</li> </ul>	Mar 09	<ul style="list-style-type: none"> <li>Impact assessment was carried out with H &amp; W Financial Managers Group on 6<sup>th</sup> March. Sub groups were set up to review key changes</li> </ul>	Finance project team
	<ul style="list-style-type: none"> <li>Identify key changes to accounting policies</li> </ul>		<ul style="list-style-type: none"> <li>Key areas;                             <ul style="list-style-type: none"> <li>PFI</li> <li>Leases</li> <li>Tangible Assets</li> <li>Employee</li> <li>Presentation</li> </ul> </li> </ul>	
	<ul style="list-style-type: none"> <li>Identify key staff</li> </ul>	June 09	<ul style="list-style-type: none"> <li>Key staff have been identified.</li> </ul>	Heather Foster
	<ul style="list-style-type: none"> <li>Key staff and members trained on IFRS transition</li> </ul>	Ongoing from Sept 08	<ul style="list-style-type: none"> <li>Key finance and property staff and members have attended training sessions.</li> </ul>	
	<ul style="list-style-type: none"> <li>Identify systems and procedural changes</li> </ul>	July 2009	<ul style="list-style-type: none"> <li>Integrated asset register required.</li> </ul>	Finance project team
<ul style="list-style-type: none"> <li>Identify likely impact on budgets</li> </ul>	Mar–Nov 09	<ul style="list-style-type: none"> <li>New procedures around fixed assets and leases</li> <li>New procedures to collect employee benefits data</li> </ul>	<ul style="list-style-type: none"> <li>Impacts on budget from employee benefits and leasing are to be reversed by legislation</li> </ul>	Heather Foster

APPENDIX A

<p>Transition Balance Sheet / accounts</p>	<ul style="list-style-type: none"> <li>• Obtain information required to restate 1 April 2009 balance sheet</li> <li>• Set up IFRS compliant financial statements templates</li> <li>• Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS.</li> </ul>	<p>Nov 09 Revised date Mar 10</p> <p>Nov 09</p> <p>Dec 09 Revised date Mar 10</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Skeleton accounts prepared based on draft code</li> <li>• Key areas identified and being progressed. Cipfa have acknowledged that Dec was an aspirational target, which councils are not achieving.</li> </ul>	<p>Finance project team</p> <p>Heather Foster</p> <p>Heather Foster</p>
<p>IFRS Statement of Accounts</p>	<ul style="list-style-type: none"> <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>	<p>Aug 2010</p> <p>June 2011</p>	<ul style="list-style-type: none"> <li>• Key areas identified</li> </ul>	<p>Heather Foster</p>
<p>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</p>	<ul style="list-style-type: none"> <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>	<p>Mar-10</p>		<p>Heather Foster</p>

<b>Key Areas in detail</b>	<b>Action Required</b>	<b>By</b>	<b>Progress to date</b>	<b>Lead role</b>
<b>Format of Accounts</b>				
Format of financial statements, main statements and disclosure required in the notes significantly changes under IFRS	<ul style="list-style-type: none"> <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
<b>Operating segments:</b>				
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 style="list-style-type: none"> <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
<b>Leases (IAS 17)</b>				
Leases need to be split between the land and building elements and re-assessed as operational or finance.	<ul style="list-style-type: none"> <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 style="list-style-type: none"> <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



<b>Service Concessions –IFRIC 12</b>				
‘Similar contracts’ to PFI where the operator constructs or enhances infrastructure used in the provision of a public service, and operates and maintains that infrastructure for a specified period of time.	<ul style="list-style-type: none"> <li>Identify potential contracts through contracts register</li> <li>Obtain legal advice on potential contracts</li> </ul>	Feb 2010	Initial list of potential contracts; <ul style="list-style-type: none"> <li>Waste collection – not IFRIC 12</li> <li>Shaw Homes</li> </ul>	Josie Smith  Martin Watts/Linden Dunham

<b>Financial Instruments: (IAS 23 &amp; 39)</b>				
(Financial instruments were adopted in UK GAAP for local Government for the 2007/08 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.	<ul style="list-style-type: none"> <li>Update IFRS financial statements templates for any new notes / disclosure requirements</li> </ul>	Nov-09		Heather Foster

<b>Employee Benefits: (IAS 19)</b>				
This IFRS specifically requires Authorities to accrue for untaken holiday entitlement and flexi-leave at year end.	<ul style="list-style-type: none"> <li>Design form for collecting holiday and flexi information – non-schools</li> <li>Agree approach with external audit</li> <li>Collect data for 31/3/09 from sample of staff to restate the balance sheet 1/4/09</li> <li>Calculate 2008/09 closing accrual for non-schools staff</li> <li>Estimate accruals for school based staff using CIPFA methodology</li> </ul>	July-09  Aug-09  Oct 09	Completed	Shirley Coultas/Julia Hathaway



	<ul style="list-style-type: none"> <li>under IFRS balance sheet.</li> <li>Restate 2009/10 transactions for revaluations, depreciation and acquisitions</li> </ul>	Aug 2010		
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<b>Non Current Assets Held for Sale</b>				
IFRS definition is much tighter than the SORP definition for Surplus Properties.	<ul style="list-style-type: none"> <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

<b>Intangible Assets: (IAS 38)</b>				
As the SORP rules for identifying Intangible Assets was tighter than allowed under IFRS, It is unlikely that any transition actions will be required.	<ul style="list-style-type: none"> <li>Review Intangible assets for compliance with IFRS and restate balance sheet for any which are affected.</li> </ul>	Dec-09		

<b>Impairment of Assets:</b>				
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 style="list-style-type: none"> <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.				
<b>Infrastructure Assets</b>				
Valuation of infrastructure assets to move to current valuation after 2010/11	<ul style="list-style-type: none"> <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
<b>Cashflow statement</b>				
New format - Simplified headings .Cashflow reconciles cash and cash equivalents rather than liquid resources.	<ul style="list-style-type: none"> <li>• Restate 2009/10 cash flow for IFRS format</li> </ul>	Aug-10		Heather Foster
<b>Group Accounts</b>				
Accounting for subsidiaries not significantly different to UK GAAP. Definition of associates changed under IAS 28	<ul style="list-style-type: none"> <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
<b>Capital Grants</b>				
	<ul style="list-style-type: none"> <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