

Herefordshire Council IFRS Implementation – Detailed Action Plan

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

Property Lead – Alison Hext **Legal lead** – Linden Dunham

General	Action Required	By	Progress to date	Lead role
Transition Balance Sheet / accounts	<ul style="list-style-type: none"> • Obtain information required to restate 1 April 2009 balance sheet • Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS. 	<p>Nov 10</p> <p>Dec 10</p>	<ul style="list-style-type: none"> • Equipment leases have been reviewed. Land leases are being reviewed. Contracts being reviewed to identify embedded leases. Holiday and flexi calculation completed Meetings held with external audit to discuss approach • Key areas identified and being progressed 	<p>Finance project team</p> <p>Heather Foster/Julia Hathaway</p>
IFRS Statement of Accounts	<ul style="list-style-type: none"> • Complete comparative shadow accounts and notes for 2009/10 under IFRS • Full statement of accounts required 30th June 2011 (for year ended 2010/11) 	<p>Dec 2010</p> <p>June 2011</p>	<ul style="list-style-type: none"> • Work progressing on key areas 	<p>Finance project team</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	<ul style="list-style-type: none"> • 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). • 3rd column on balance sheet to be added for prior year adjustments • Need to produce a reconciliation between UK GAAP and IFRS 	<p>Dec 2010</p>		<p>Heather Foster</p>

Key Areas in detail	Action Required	By	Progress to date	Lead role
Leases (IAS 17)				
<p>Leases need to be split between the land and building elements and re-assessed as operational or finance.</p>	<ul style="list-style-type: none"> • Obtain list of all leases (land and buildings, equipment etc), incl. schools • List all properties and lease end dates / annual lease payments • Identify those leases where buildings lease is equal 25 years or more and review leases against IAS 17 criteria • For leased buildings under 25 years, identify significant leases and review against IAS 17 criteria • Review all equipment leases where lease payment significant or lease term is majority of asset life • Review leases held by schools • Split assets of leased properties between value of land and value of buildings • Determine whether leases are operational or finance • List and Review all contracts for embedded leases under IFRIC4 and 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) • Produce schedule / WP on classifications • Produce schedule / WP of accounting adjustments required for transition balance sheet 	<p>Mar 10</p> <p>June 10</p> <p>June 10</p> <p>June 10</p> <p>Aug 2010</p> <p>Sept 10</p> <p>Sept 10</p> <p>Dec 10</p> <p>Dec 10</p> <p>Dec 10</p>	<ul style="list-style-type: none"> •Property list collated and reviewed. Most are operational, a few potential finance leases •Non-property and car leases reviewed. Small number of non-material finance leases identified •Large number of property leases below £10k deminimus •Major contracts list and periodic payments being reviewed. •Schools have sent details of lease agreements, which are being reviewed. •Legal have provided potential list of embedded leases. •Amey contract and Waste collection contracts identified for IFRIC 4 review. 	<p>Josie Smith/Lindsey Galbraith Alison Hext</p>

Private Finance Initiative				
<p>Where the public sector body controls both the assets usage 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 similar to a finance lease.</p> <p><i>Brought in 1 year early – from 2009/10 accounts</i></p>	<ul style="list-style-type: none"> • Draw up schedule of PFI schemes • Review PFI agreements under IFRIC 12 to determine if on or off balance sheet • Obtain details for each scheme for the project agreement, variations, financial model etc • Determine fair value of assets at inception date • Calculate interest rate implicit in contract • Split unitary charge between principal, interest / finance charge and service cost • Remove all unitary charge costs from accounts • Recognise assets and liabilities on balance sheet, account for service costs and MRP • Restate balance sheet as at 1.4.08 and 08/09 comparative figures. • Audit commission review of PFI treatment • Value assets as at 1 April 08 and 1 April 09 • Action accounting entries for revaluation • Calculate revised CFR and adjust Prudential indicators • Produce 2009/10 accounts on PFI IFRS basis 	Nov 09	<ul style="list-style-type: none"> • Completed 	Heather Foster
		Jan 10	<ul style="list-style-type: none"> • Audit by technical team completed. Final accounts audit virtually complete. 	Audit Commission
		Feb 10	<ul style="list-style-type: none"> • Valuations completed 	Alison Hext
		Feb 10	<ul style="list-style-type: none"> • Completed 	Heather Foster
		Feb 10	<ul style="list-style-type: none"> • Completed 	Heather Foster
		June 10	<ul style="list-style-type: none"> • 2009/10 accounts completed including restated 2008/09 figures 	Heather Foster

Service Concessions –IFRIC 12				
‘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"> Identify potential contracts through contracts register Obtain legal advice on potential contracts 	Mar 10	<ul style="list-style-type: none"> Shaw Homes identified as falling under IFRIC 12 and restated accounts completed Final accounts audit being undertaken by the Audit Commission 	Heather Foster/ JuliaHathaway/ Martin Savage /Linden Dunham
Financial Instruments: (IAS 23 & 39)				
(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"> Update IFRS financial statements templates for any new notes / disclosure requirements Produce 2010/11 Financial instrument accounts and notes 	Nov-09 June 2011	Template completed	Heather Foster Sarah Curtis
Employee Benefits: (IAS 19)				
This IFRS specifically requires Authorities to accrue for untaken holiday entitlement and flexi-leave at year end.	<ul style="list-style-type: none"> Design form for collecting holiday and flexi information – non-schools Agree approach with external audit Collect data for 31/3/09 from sample of staff to restate the balance sheet 1/4/09 Calculate 2008/09 closing accrual for non-schools staff Estimate 2008/09 accruals for school based staff using CIPFA methodology Collect data for 31/3/10 from sample of staff. Calculate and post 2009/10 closing accrual for 	July-09 Aug-09 Oct 09 Oct 09 Apr 10 Dec 10	Completed Completed Completed Completed Completed	Julia Hathaway/Linda Bradford

	<ul style="list-style-type: none"> non-schools staff Estimate and post 2009/10 accruals for school based staff using CIPFA methodology 	Dec 10		
--	--	--------	--	--

Property, Plant & Equipment				
<p>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.</p> <p>Fixed assets are classified differently under IFRS.</p> <p>Component parts of assets have to be valued and depreciated separately.</p>	<ul style="list-style-type: none"> Property – Review the basis of valuation for Fair Value. Revalue any asset where the basis of valuation changes under IFRS. Review all residual values at 31/3/2010. This applies to 09/10 accounts and not the transition balance sheet. Determine the criteria for identifying component parts to PPE Identify components of 2010 capital programme Review DRC calculations – (needs to be ‘modern equivalent’) Review assets held as investment properties and reclassify if they don’t meet the IFRS criteria Investment properties reclassified as PPE will need to be valued under fair value – market value 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 <ul style="list-style-type: none"> - 2009/10 restated - 2010/11 Determine revaluation policy 	Nov 10	<p>Draft criteria under review</p> <p>Elements of spend is being recorded</p> <p>Modern equivalent to be incorporated into annual 20% valuations</p> <p>5 year rolling programme to continue</p>	Alison Hext
	Nov 10	Alison Hext		
	Aug 10	Sarah curtis/ Alison Hext		
	Oct 10	Lindsey Galbraith		
	Sept 10	Alison Hext		
	Dec 10	Sarah Curtis/ Alison Hext		
	Dec 10	Alison Hext		
	Aug 10 Mar 11	Alison Hext		
	Aug 2010	Alison Hext		

APPENDIX A

	<ul style="list-style-type: none"> Review asset lives (50 year rule does not apply under IFRS) 2009/10 to be reviewed for possible restatement 	Dec 10		Alison Hext
		Nov 10		Sarah Curtis

Investment Property				
IFRS alters the accounting arrangements for changes in valuation of Investment Properties and requires annual valuations	<ul style="list-style-type: none"> 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) 	Oct 2010		Alison Hext/Sarah Curtis
	<ul style="list-style-type: none"> Properties transferred in the year to be re-valued on Transfer (existing use value) and restated under IFRS balance sheet. 	Nov 2010		Alison Hext
	<ul style="list-style-type: none"> Restate 2009/10 transactions for revaluations, depreciation and acquisitions 	Dec 2010		Sarah Curtis

Non Current Assets Held for Sale				
IFRS definition is much tighter than the SORP definition for Surplus Properties.	<ul style="list-style-type: none"> Review all Surplus assets for compliance with the IFRS definitions of Held for Sale and transfer any out which do not meet this definition. 	Nov 10		Alison Hext/Sarah Curtis
	<ul style="list-style-type: none"> 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. 	Nov 10		
	<ul style="list-style-type: none"> Restate the opening balance sheet for these changes Write back any depreciation charged on assets held for sale in transition balance sheet. 	Dec 10		Sarah Curtis

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. There is a clear distinction between Impairment and Revaluation.	<ul style="list-style-type: none"> Determine whether any changes required for 1/4/09 balance sheet. Review 2009/10 impairments accounting for possible restatement. 	Nov 2010		Sarah Curtis
Infrastructure Assets				
Valuation of infrastructure assets to move to current valuation after 2010/11	<ul style="list-style-type: none"> There are no transition changes to Infrastructure Assets as the basis of valuation is unaltered in 2010/11 WGA return for 2009/10 will require gross replacement cost to be identified 	TBC July 2010	Completed – only carriageways required.	Julia Hathaway
Cashflow statement				
New format - Simplified headings .Cashflow reconciles cash and cash equivalents rather than liquid resources.	<ul style="list-style-type: none"> Restate 2009/10 cash flow for IFRS format 	Dec-10		Heather Foster/Julia Hathaway
Group Accounts				
Accounting for subsidiaries not significantly different to UK GAAP. Definition of associates changed under IAS 28	<ul style="list-style-type: none"> Review group account arrangements under IFRS 3, IAS 28 and IAS 31 Review joint arrangements as to whether they constitute a joint venture 	Dec-10		Julia Hathaway/Legal Services

Capital Grants				
	<ul style="list-style-type: none"> • Review disclosure notes for grants and income against revised income recognition guidance • Government grants to be recognised in I&E account as received under IFRS • Government Grants Deferred Account to be written off to CAA on transition • Review treatment of Unapplied and unspent capital grants. 	Dec-10		Josie Smith