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

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

General	Action Required	Ву	Progress to date	Lead role
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Transition Balance Sheet / accounts	Obtain information required to restate 1 April 2009 balance sheet	Dec 10	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	Finance project team
	Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS.	Dec 10	Key areas identified and being progressed.	Heather Foster/Julia Hathaway
IFRS Statement of Accounts	 Complete comparative shadow accounts and notes for 2009/10 under IFRS Full statement of accounts required 30th June 2011 (for year ended 2010/11) 	Dec 2010 June 2011	Work progressing on key areas	Finance project team
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	 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 	Dec 2010	Templates have been set up for the new format IFRS accounts and the restated prior year Statements	Heather Foster

Key Areas in detail	Action Required	Ву	Progress to date	Lead role
Leases (IAS 17)				
Leases need to be split between the land and building elements and re-assessed as operational or finance.	 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 	Mar 10 June 10 June 10 June 10 Aug 2010 Sept 10 Sept 10 Dec 10 Dec 10 Dec 10	 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. 	Josie Smith/Lindsey Galbraith Alison Hext

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.	•	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.	•	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 non-schools staff	Aug-09 Oct 09 Oct 09 Apr 10 Dec 10	Completed Completed Completed Completed Completed Completed Calculation completed	Julia Hathaway/Li nda Bradford
	•	Estimate and post 2009/10 accruals for school based staff using CIPFA methodology	Dec 10	Awaiting information from HR.	

Property, Plant & Equipment				
This may result in a difference in the valuation basis used for Fixed Assets. Under IFRS "fair value" is	 Property – Review the basis of valuation for Fair Value. Revalue any asset where the basis of valuation changes under IFRS. 	Nov 10		Alison Hext
usually determined from market based evidence so where a market exists for assets that have	 Review all residual values at 31/3/2010. This applies to 09/10 accounts and not the transition 	Nov 10		Alison Hext
previously been valued at existing use value, differences are likely to be encountered.	 balance sheet. Determine the criteria for identifying component parts to PPE 	Aug 10	Component policy drafted	Sarah curtis/ Alison Hext
Fixed assets are classified differently under IFRS.	Identify components of 2010 capital programme	Oct 10	Elements of spend is being recorded	Lindsey Galbraith
Component parts of assets have to be valued and depreciated	Review DRC calculations – (needs to be 'modern equivalent')	Sept 10	Modern equivalent to be incorporated into annual 20% valuations	Alison Hext
separately.	 Review assets held as investment properties and reclassify if they don't meet the IFRS criteria 	Dec 10		Sarah Curtis/ Alison Hext
	 Investment properties reclassified as PPE will need to be valued under fair value – market value 	Dec 10		Alison Hext
	 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 2009/10 restated 2010/11 	Dec 10 Mar 11		Alison Hext
	Determine revaluation policy	Aug 2010	5 year rolling programme to continue	Alison Hext
	 Review asset lives (50 year rule does not apply under IFRS) 	Dec 10		Alison Hext
	Restate 2009/10 transactions where required	Dec 10		S Curtis

Investment Property			
IFRS alters the accounting arrangements for changes in valuation of Investment Properties	Opening balance sheet to be restated for balances held on the Revaluation Reserve for Investment Properties. The adjustment is Cr	Dec 2010	Alison Hext/Sarah Curtis
and requires annual valuations	 Reserve Dr Capital Adjustment Account (CAA) Properties transferred in the year to be re-valued on Transfer (existing use value) and restated under IFRS balance sheet. 	Dec 2010	Alison Hext
	 Restate 2009/10 transactions for revaluations, 	Dec	Sarah
	depreciation and acquisitions	2010	Curtis
Non Current Assets Held for Sale			
IFRS definition is much tighter than the SORP definition for Surplus Properties.	Review all Surplus assets for compliance with the IFRS definitions of Held for Sale and transfer any out which do not meet this definition.	Dec 10	Alison Hext/Sarah Curtis
	Transfer any properties currently within Operational categories, which are due for sale and restate values at lower of carrying cost or	Dec 10	
	fair value less costs to sell.	Dec 10	
	Restate the opening balance sheet for these		Sarah
	changes		Curtis
	 Write back any depreciation charged on assets held for sale in transition balance sheet. 		

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.	 Determine whether any changes required for 1/4/09 balance sheet. Review 2009/10 impairments accounting for possible restatement. 	Dec 2010		Sarah Curtis
Infrastructure Assets				
Valuation of infrastructure assets to move to current valuation after 2010/11	 WGA return for 2009/10 will require gross replacement cost to be identified WGA Return for 2010/11 will require gross replacement cost to be identified for further categories of infrastructure assets 	July 2010 July 2011	Completed – only carriageways required.	Julia Hathaway Julia Hathaway/C live Hall
Cashflow statement				
New format - Simplified headings .Cashflow reconciles cash and cash equivalents rather than liquid resources.	Restate 2009/10 cash flow for IFRS format	Dec-10	Template completed	Heather Foster/Julia Hathaway
Group Accounts				
Accounting for subsidiaries not significantly different to UK GAAP. Definition of associates changed under IAS 28	 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/L egal Services

Grants					
Under IFRS the conditions on which grants are recognised in the revenue account have changed. The Capital Grants Deferred Account no longer exists.	•	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. Review Revenue Grants Carried forward in 08/09 and 09/10. Adjust for treatment under IFRS	Dec-10	Restatement of capital grants have been completed List circulated to accountants to be classified	Julia Hathaway