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	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	 Figures for employee benefits, grants and cash equivalents completed. Awaiting further information on some leases Awaiting valuations for properties which have changed categories. Completed tasks submitted to the Audit Commission 	Finance project team/Alison Hext
	 Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS. 	Dec 10	 Template prepared and completed as above 	
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	Skeleton accounts completed	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 IFRS skeleton statements completed 	Heather Foster

Key Areas in detail	Action Required	By	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 	Mar 10 June 10 June 10 June 10 Aug 2010 Sept 10	 Property list collated and reviewed. 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 have been reviewed. 4 potential school finance leases 	Josie Smith/Lindsey Galbraith Alison Hext
	 Split assets of leased properties between value of land and value of buildings Determine whether leases are operational or finance 	Sept 10 Dec 10	 Most are operational, a few potential finance leases A few outstanding leases awaiting property valuations 	
	• 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)	Dec 10	 IFRIC 4 review completed and submitted to Audit Commission 	
	 Produce schedule / WP on classifications Produce schedule / WP of accounting adjustments required for transition balance sheet 	Dec 10 Dec 10	 Working papers complete except for the few outstanding leases 	

Financial Instruments: (IAS 23 & 39)					
(Financial instruments were adopted in UK GAAP for local Government for the 2007/08	•	Update IFRS financial statements templates for any new notes / disclosure requirements	Nov-09	Template completed	Heather 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.	•	Produce 2010/11 Financial instrument accounts and notes	June 2011		Sarah Curtis

Employee Benefits: (IAS 19)					
This IFRS specifically requires Authorities to accrue for untaken holiday entitlement and flexi-leave	•	Design form for collecting holiday and flexi information – non-schools Agree approach with external audit	July-09	Completed	Julia Hathaway/Li nda
at year end.	•	Collect data for 31/3/09 from sample of staff to restate the balance sheet 1/4/09	Aug-09	Completed	Bradford
	•	Calculate 2008/09 closing accrual for non- schools staff	Oct 09	Completed	
	•	Estimate 2008/09 accruals for school based staff using CIPFA methodology	Oct 09	Completed	
	•	Collect data for 31/3/10 from sample of staff. Calculate and post 2009/10 closing accrual for	Apr 10	Completed	
		non-schools staff	Dec 10	Calculation completed With audit commission awaiting audit	
	•	Estimate and post 2009/10 accruals for school based staff using CIPFA methodology	Dec 10	Calculation Completed With audit commission awaiting audit	

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	 Review all residual values at 31/3/2010. This applies to 09/10 accounts and not the transition 	Nov 10		Alison Hext
market exists for assets that have previously been valued at existing use value, differences are likely to	 balance sheet. Determine the criteria for identifying component parts to PPE 	Aug 10	Component policy completed	Sarah curtis/ Alison Hext
be encountered. Fixed assets are classified	 Identify components of 2010 capital programme 	Oct 10	Elements of spend is being recorded	Lindsey Galbraith
differently under IFRS. 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	List reviewed and assets reclassified	Sarah Curtis/ Alison Hext
	 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 	Dec 10	List confirming revaluations required is completed and awaiting revaluation	Alison Hext
	fair value, must be presented separately on balance sheet - 2009/10 restated - 2010/11	Dec 10 Mar 11		Alison Hext
	Determine revaluation policy	Aug		Alison Hext
	 Review asset lives (50 year rule does not apply under IFRS) 	2010		Alison Hext
	Restate 2009/10 transactions where required	Dec 10	5 year rolling programme to continue	S Curtis

APPENDIX A

Dec 10		

Investment Property					
IFRS alters the accounting arrangements for changes in valuation of Investment Properties and requires annual valuations	•	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)	Dec 10	Fixed Asset Register amended and revaluation reserve restated	Alison Hext/Sarah Curtis
	•	Properties transferred in the year to be re-valued on Transfer (existing use value) and restated under IFRS balance sheet.	Dec 10		Alison Hext
	•	Restate 2009/10 transactions for revaluations, depreciation and acquisitions	Dec 10		Sarah 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	Done	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 fair value less costs to sell. 	Dec 10		
	Restate the opening balance sheet for these changes	Dec 10	Opening balance sheet amended	Sarah Curtis
	Write back any depreciation charged on assets held for sale in transition balance sheet.	Dec 10	Adjustment made	

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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	 Reviewed the changes and only one relationship needs re-assessing. Information has been forwarded to Legal. 	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. 	Dec-10	Restatement of capital grants have been completed and submitted to the audit commission for review	Josie Smith
	Review Revenue Grants Carried forward in 08/09 and 09/10. Adjust for treatment under IFRS	Dec-10	Returns from accountants completed. Sent to audit commission for review	Julia Hathaway