

CHESHIRE EAST COUNCIL

GOVERNANCE & CONSTITUTION COMMITTEE

Date of Meeting:	25 th March 2010
Report of:	Borough Treasurer & Head of Assets
Subject/Title:	Implementation of International Financial Reporting Standards (IFRS)

1.0 Report Summary

- 1.1 The purpose of this report is to update members on the project plan for implementing International Financial Reporting Standards (IFRS).

2.0 Decision Requested

- 2.1 To approve the updated project plan, set out in Appendix A.

3.0 Reasons for Recommendations

- 3.1 Local Authorities are required to adopt International Financial Reporting Standards (IFRS) by 2010-11. This will require a transition from current financial reporting standards and have a significant impact on the Authority.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

- 6.1 None.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

- 7.1 Not applicable.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

- 8.1 As covered in the report.

9.0 Legal Implications (Authorised by the Borough Solicitor)

- 9.1 Any legal implications relating to the transition to International Financial Reporting Standards will be reviewed by finance and legal staff on an ongoing basis.

10.0 Risk Management

- 10.1 A revised project plan is attached as Appendix A to this report. Regular updates will be provided to members on progress against the project plan and the project team will be holding regular review sessions with External Audit.

11.0 Background and Options

- 11.1 A report on the transition to International Financial Reporting Standards was considered by members at the Governance & Constitution Committee held on 19th November 2009. The timetable as previously reported to this Committee is as follows.
- 11.2 The first set of IFRS accounts will be the 2010-11 Statement of Accounts, which will be produced in June 2011. However, as part of these accounts the Council will need to include comparative information for 2009-10 meaning that the effective date of transition is at 1 April 2009 and the 2009-10 accounts will need to be restated in IFRS format.
- 11.3 Stage 1 - Restate April 2009 balance sheet to IFRS
Stage 2 - Restate 2009/10 UK GAAP accounts to IFRS – by 31 Dec 2010
Stage 3 – Closedown 2010/11 on IFRS basis – 30 June 2011.
- 11.4 The Audit Commission have recently completed a survey on the readiness of local authorities for the transition to IFRS. Their report 'Countdown to IFRS – Implementation in local government' has stated that local authorities need to make urgent progress now to ensure that the 2010/11 accounts will be reported on time and will meet the required standards.
- 11.5 The project timetable has been particularly challenging for Cheshire East Council, due to the additional work required on the opening balance sheet for 2009-10. The former Cheshire County Council balance sheet has now been disaggregated and merged with the former Districts balance sheets and this exercise will be completed by 31st March 2010. Further work is now required to restate the opening balance sheet on an IFRS basis.
- 11.6 The finance department have recently employed an external consultant to assist with the IFRS transition. The consultant has previous experience working with the NHS and other Councils and will be working with finance staff on a part-time basis to help with technical input,

planning and training. A close working arrangement is in place to ensure that there is an effective transfer of knowledge.

- 11.7 An update on the Project Plan is provided in Appendix A and further updates will be reported on a regular basis. The updated Project Plan recognises that deadlines have slipped, however the transition work is now gathering pace and the Council is on target to meet the ultimate deadline of June 2011 to produce the 2010/11 accounts on an IFRS basis.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Step	Description	Original Deadline	Revised Deadline	Progress to date
1	Carry out high level impact assessment using information on CIPFA web site (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas	30 th November 2009	31 st March 2010	IFRS Toolkit and Action Plan produced during workshop with Baker Tilly – 2 October 2009. Information obtained from CIPFA website. Report to Governance & Constitution Committee Nov 09 and March 10.
2	Identify changes to accounting policies	31 st December 2009	31 st March 2010	In parallel with Step 1
3	Identify key staff from Finance, HR, Asset Management, Legal and Procurement Assess whether resources adequate Allocate responsibilities Develop detailed project plan	30 th November 2009	31 st March 2010	Meetings held with Finance, HR, Asset Management. Further meetings to be arranged with Procurement and other departments as required.
4	Training of Key Staff on IFRS transition	Ongoing	Ongoing	CIPFA Technical Updates and FAN sessions attended. Briefings provided to Project Team and Service Accountants. Further training ongoing throughout project.
5	Identify changes required to systems and procedures (including Chart of Accounts changes) required	31 st December 2009	31 st May 2010	
6	Identify information required to restate 1 April 2009 balance sheet and 2009/10 accounts <ul style="list-style-type: none"> • Leases • Employee Benefits • PFI • PPE 	31 st December 2009	31 st May 2010	Information gathering exercise in progress. Request for employee benefits holiday leave accruals to be circulated mid April for return mid May.

Step	Description	Original Deadline	Revised Deadline	Progress to date
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	31 st December 2009	30 th April 2010	Code of Practice purchased. Detailed guidance available from CIPFA June 2010.
8	Obtain information required to restate 1 April 2009 balance sheet	31 st December 2009	31 st May 2010	Identified during Step 6.
9	Identify likely impact on budgets (if any)	31 st January 2010		
10	Implement systems and procedural changes	28 th February 2010	Ongoing	
11	Training for all relevant staff and members	Ongoing from November 2009	Ongoing	Finance Staff and Project Team completed. Member training tba
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	31 January 2010	30 th June 2010	Obtained in Steps 7 and 8. Ongoing discussions with External Auditors for review/audit of opening balance sheet and processes and arrangements.
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund/HRA	31 January 2010		
14	Testing of systems and procedural changes	March 2010	Ongoing	
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliation between UK GAAP and IFRS)	December 2010	December 2010	
16	Produce 2010/11 accounts on IFRS basis	June 2011	June 2011	