

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

9th June 2011

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE
AND DRAFT ACCOUNTING STANDARDS**

Relevant Portfolio Holder	Councillor Roger Hollingworth
Relevant Head of Service	Executive Director (Finance and Corporate Resources)
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To update Members on the progress of implementing the new International Financial Reporting Standards (IFRS) and to approve the proposed draft Accounting Standards in preparation for the 2010/11 Accounts.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the current position with regard to the implementation of IFRS.
- 2.2 That Cabinet approve the Accounting Policies, detailed at Appendix 1.

3. BACKGROUND

- 3.1 IFRS are the accounting standards, interpretation and framework adopted by the International Accounting Standards Board. All listed companies within Europe have been required to comply with the IFRS accounting requirements since 2005. They were introduced to ensure consistency between measurement and presentation in financial statements across global markets.
- 3.2 The UK Government are now seeking to harmonise public sector reporting with best practice in the private sector and improve the consistency and comparability of financial reporting. Government bodies, Central Government and NHS bodies were required to adopt IFRS for the year ended 31st March 2010.
- 3.3 Local authorities are required to produce IFRS compliant accounts for the financial year ending 31st March 2011. This will include a restatement of the accounts for 2009/10 comparative figures.

4. KEY ISSUES

- 4.1 Officers have looked at the different areas of change, the table below shows these:

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Significant Differences	Some Differences	No Significant Differences
Fixed Assets	Related Party Disclosures	Stocks
Leases	Impairments	Provisions
Employee Benefits	Intangible Assets	Financial Instruments
Accounting for Government Grants	Investment Properties	
Format of Statement of Accounts	Disclosures (General)	
	Definition of Cash	

- 4.2 Officers have completed the following work; restatement of the 2008/09 balance sheet and the 2009/10 accounting statements. This has included a review of all Asset Categories and the production of a new Asset Register on the IFRS basis.
- 4.3 A revision of the definition of cash to include cash equivalents has also been undertaken; this now includes investments up to 3 months.
- 4.4 One of the main changes that has now been completed is in relation to grants and their treatment. Grant income will now show in the year received and will no longer be 'matched' against expenditure. Any grants which are not fully spent in the year received will need to be moved to an earmarked reserve and the expenditure funded by a transfer from the reserve.
- 4.5 This could result in larger movements in revenue budgets, where income may show in one year and expenditure in the following year, the impact of this is that service costs between years will vary.
- 4.6 Accruals for employee benefits (holidays) have been calculated for the past 2 years, this has been calculated on a sample basis and will then be applied to all service areas.
- 4.7 Preparation of the 2010/11 Accounts needs to be completed including review of all notes.
- 4.8 Changes to accounting statements:

The accounting statements will be presented differently, the new statements and their old equivalents are detailed below.

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Old	New
Statement of Movement in GF Balances	Movement in Reserves Statement
Income and Expenditure Account & Statement of Recognised Gains and Losses	Comprehensive Income and Expenditure Account
Balance Sheet	Balance Sheet
Cash Flow Statement	Cash Flow Statement
Notes to the Accounts	Notes to the Accounts

5. FINANCIAL IMPLICATIONS

5.1 None outside existing budgets.

6. LEGAL IMPLICATIONS

6.1 The Council has a statutory requirement to produce a Statement of Accounts each financial year (Accounts and Audit Regulations 2003).

6.2 Approval of the Accounting Policies on which the bases of the Accounts are prepared is required.

7. POLICY IMPLICATIONS

7.1 None

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

9.1 None.

10. CUSTOMER IMPLICATIONS

10.1 None Performance Improvement is a Council Objective

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None.

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12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 None

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None

14. HUMAN RESOURCES IMPLICATIONS

14.1 None

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Sound performance management and data quality are key to achieving improved scores in the Use of resources judgement. This performance report supports that aim.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 Not applicable

18. LESSONS LEARNT

18.1 Not applicable

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No

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Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards

22. APPENDICES

Appendix 1 Draft Accounting Policies

23. BACKGROUND PAPERS

None

24. KEY

PI - Performance Indicator

NI - National Indicator (a PI defined by government and used by all Councils)

LPI - Local Performance Indicator – (a PI defined by Bromsgrove, District Council to measure performance on local priorities)

CAA - Corporate Area Assessment – the methodology used by the Audit Commission to judge the performance of Councils and partners

AUTHOR OF REPORT

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