



Report to: Audit Sub Committee

Subject: International Financial Reporting Standards (IFRS)

Date: 15th December 2009

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1. PURPOSE OF REPORT

- 1.1 To inform the Committee of the introduction of International Financial Reporting Standards (IFRS) within Local Government.

2. BACKGROUND

- 2.1. From 2010/11, local authorities' Statements of Accounts must be prepared under an IFRS-based Code of Practice on Local Authority Accounting. This is part of a move within the accounting profession to aid comparison between public and private sector financial reporting on both a national and international basis.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) will be issuing an IFRS code of practice during December 2009, which will assist Local Authorities with the implementation of IFRS in 2010/2011. CIPFA have also developed an outline project plan as guidance for local authorities, specifying dates by which the opening IFRS balance sheet and the figures for comparative years should be prepared. Whilst the project plan is not a formal requirement, it is planned that key dates within it are met to ensure timely implementation of the IFRS code.

3. CURRENT POSITION

- 3.1 A significant amount of preparatory work is currently being undertaken by Corporate Services to ensure that IFRS is introduced in an effective manner. The main areas of impact for Gedling Borough Council currently being reviewed include:
 - i) Restatement of 1 April 2009 opening balances on the new basis
 - ii) Leases and Lease type arrangements
 - iii) Property, Plant and Equipment
 - iv) Employee Benefits - accrual of holiday pay, flexi leave etc.
 - v) Format of the Statement of Accounts and Required Disclosure Notes

The potential impact of the change in accounting requirements in the above areas e.g. Employee benefit accruals, on the Council's budget position is being reviewed but is not expected to be significant.

- 3.2 The implementation of IFRS is introducing increased technical complexity and additional workload in the production of the Statement of Accounts. Experience of other Sectors suggests that the number of Disclosures required under the IFRS code may increase the size of the Statement of Accounts by as much as 50%, but until the formal Code is issued the full extent of this and the impact on resources will not be clear. Officers are currently receiving appropriate training and it is hoped that the ongoing costs of IFRS can be contained within existing budgets but this position will need to be kept under review.

4 RECOMMENDATIONS

- 4.1 To note the report and receive updates on the progress of the implementation of IFRS and it's implications as appropriate.