

Appendix 1

Summary - International Financial Reporting Standards (IFRS)

- Implemented from 1st April 2010
- Accounts for 2009/2010 have been restated so comparable with 2010/2011 accounts

Presentational Changes

| <u>2009/10 Accounts format</u> | <u>2010/11 IFRS Format</u> | <u>Pages</u> |
|--|--|--------------|
| Income & Expenditure Account (I&E) Statement of Recognised Gains and Losses (STRGL) | Now both included in the Comprehensive Income and Expenditure Statement | 31 / 32 |
| Statement of Movement in General Fund Balance (SMiGFB) | Movement in Reserves Statement (MiRS) - (General Fund movement and all other reserves) | 29 / 30 |
| Balance Sheet (detailed) | Balance Sheet (simplified) | 33 |
| Cash Flow Statement (detailed) | Cash Flow Statement (simplified) | 34 |
| Notes to the Accounts (not prescribed and in any order) | Notes to the Accounts prescribed order and now includes the main Accounting Policies (much more complex) | 35 / 117 |
| Collection Fund Account and notes | Collection Fund Account and notes | 118 |
| Glossary | Glossary (no change) | 122 |

Summary of the main changes (quite technical)

1. Accrual for Employee Benefits
2. Property Leases – Land / Buildings now separately valued in the accounts
3. Definition of leases has changed – more operating leases becoming finance leases (on Balance Sheet when previously treated as revenue 'rental hire' expenditure).
4. Government grants recognised as income when they become receivable. The Government Grants Deferred A/c on the Balance Sheet is not now required and accounting treatment has changed.
5. Investment property more stringent criteria applied – must be solely held for capital appreciation / rental income purposes
6. Assets held for sale - must be being actively marketed or sale is imminent – Council does not have any of these currently.
7. Componentisation – covered in more detail below
8. Segmental reporting – new requirement, accounts more aligned to the structure of the Authority

9. Some major changes already made in previous years accounts (e.g. Financial Instruments and PFI) which helped phase in the more complex IFRS requirements earlier.

Pensions Accounting

FRS17 now IAS19 – only minor changes to reporting requirements, however, – major change is the change in valuing benefits using CPI rather than RPI – (a lower cost option) which has had a significant impact on the accounts for 2010/2011

Component Accounting

Analysis and accounting for assets into their component parts e.g. infrastructure heating system, roof etc. but only where material – but which recognises that different elements of an asset will be used within varying time periods.

Also prospective in nature - applies only to new assets acquired from 1.4.11 and those re-valued each year – but reflects a more accurate use of assets in the accounts as different components are depreciated having different asset lives – so helpful to management in the use of assets and in making investment decisions.

Finance Officer Foreword

Still a very important summary included within the Statement of Accounts which covers all of the main issues in the accounting year. **(Pages 6 to 16)**

Handout

The handout (based on a CIPFA document 'IFRS – How to tell the story') along with the draft accounts – sets out more details of the changes brought about by IFRS. The Council's figures are used so that it helps with understanding the new format of the accounts and the key messages they provide.

This also includes a Question and Answer sheet on IFRS.