
**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - UPDATE
REPORT**

SUMMARY REPORT

Purpose of Report

1. To update Members on the progress being made on the implementation of IFRS.

Summary

2. It is a statutory requirement for all local authority financial statements to be IFRS compliant by 2010/11. In order to prepare IFRS compliant accounts by 2010/11, the Council will need to revise its accounting policies, change the format of its financial statements and include a significant number of additional disclosures. It will need to restate its 2009/10 comparative figures and report these together with its 2010/11 figures on an IFRS basis.
3. An updated Action Plan (**Annex A**) has been produced to ensure that the Council complies with the relevant timescales and gives a step by step approach which includes a requirement to involve those charged with governance and keep them informed in the whole process.
4. As can be seen from the updated Action Plan there has been substantial progress made on ensuring that the Council is prepared for the introduction of IFRS.

Recommendation

5. It is recommended that the report be noted

Reasons

6. The recommendation is supported as it comprises part of the Council's corporate governance arrangements

**Paul Wildsmith
Director of Corporate Services**

Background Papers

- (i) No papers identified

Peter Carrick : Extension 2326

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Sustainability	There is no specific sustainability impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

7. In order to prepare IFRS compliant accounts in 2010/11, the Council will need to revise its accounting policies, change the format of its financial statements and include a significant number of additional disclosures. It will need to restate its 2009/10 comparative figures and report these together with its 2010/11 figures on an IFRS basis.
8. As can be seen from the Action Plan there has been substantial work done on the main areas that the Council deems to be a priority.
9. One of the main priorities of the Council was the PFI scheme also known as the Education Village. The accounting treatment has been agreed with our external auditors and it now appears on the Council's Balance Sheet that is incorporated into the Statement of Accounts for 2009/10.
10. A comprehensive database of all of the Council's known leases has been analysed as to what is above the de-minimis threshold of £5,000 and is also deemed to be a finance lease under the new regulations and therefore required to be accounted for on the Council's Balance Sheet. This approach has been agreed with our external auditors
11. With regard to fixed asset accounting under International Accounting Standard 16 (IAS16) the different classes of fixed asset are required to be valued under different methods. This exercise has been carried out and the resultant changes will be reflected in the Council's restated Balance Sheet.
12. The exception to this is Infrastructure assets where the requirements do not come into force until 2011/12. There is work going on by the Council's Engineers to ensure that the Council complies with this requirement.
13. IAS16 also introduced the concept of component accounting whereby separate elements of the same asset are treated differently as they are deemed to have different life expectancies. This requirement came into force on 01/04/2010 but the Council has put in place processes, as far as it can, that will ensure that each asset will be valued in its components when they are re-valued after 01/04/2010. The whole process is being held back as there is still a lack of comprehensive guidance at the moment as to what constitutes a component i.e. what detail do you go down to.
14. Under IAS 19 all local government bodies are required to recognise an annual pay accrual for all leave untaken at the year end. To do the estimate, a sample equivalent to 25% of the non teaching workforces annual leave entitlement was analysed by the Project Team. This produced a calculation that has been agreed with PwC. The resultant figure was not material on its own, which fits in with council policy whereby all annual leave has to be taken at the year end unless by express consent of the relevant Director. A similar exercise has been undertaken for 2009/10 that also included flexi-time, this again showed that on its own it isn't material but it needs to be taken in conjunction with the teachers pay which is explained below.
15. The other part of the calculation is to do with teachers pay and the calculation has been done in line with the CIPFA model that is being used as best practice. This has produced a

material figure that has been agreed with the external auditors and an adjustment will need to be included in the restated accounts.

16. It is anticipated that a restated set of accounts will be produced and audited by external audit early in the new calendar year.
17. A further progress report will be presented to the Committee in March 2010.