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

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**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 is revising its accounting policies, changing the format of its financial statements and including a significant number of additional disclosures. It has had to restate its 2009/10 comparative figures and will 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 Action Plan the progress made will ensure that the Council is prepared for the introduction of IFRS.
5. A fully IFRS compliant restated balance sheet (unaudited) is included at **Annex B**

**Recommendation**

6. It is recommended that the report be noted

**Reasons**

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

**Paul Wildsmith  
Director of Resources**

**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.
Carbon Impact	There is no specific carbon 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

8. In order to prepare IFRS compliant accounts in 2010/11, the Council has had to revise its accounting policies, change the format of its financial statements and include a significant number of additional disclosures. It has had to restate its 2009/10 comparative figures and report these together with its 2010/11 figures on an IFRS basis.
9. 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.
10. Under IFRS the Council is required to account separately for leases of land and buildings and an exercise has been undertaken by one of the Council's valuers in conjunction with the Capital Accountant to ensure that the Asset Register has been reviewed and amended to take account of the identified changes.
11. 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.
12. 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 are reflected in the Council's restated Balance Sheet (Annex B)
13. 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.
14. 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 and the Council has put in place processes that ensure that each asset will be valued in its components when they are due for revaluation after 01/04/2010.
15. Under IAS 19 all local government bodies are required to recognise an annual pay accrual for all leave untaken at the year end as well as any credit balances on flexi time. To do the estimate, a sample equivalent to 25% of the non teaching workforces annual leave entitlement and flexi-time balances were 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 will be undertaken shortly after 1 April 2011 to compare the results as any changes will need to be reflected in the accounts.
16. The other part of the calculation is to do with teachers pay and the guidance produced by CIPFA as to how it should be calculated has been followed. This has resulted in a material

amount that has been agreed with our external auditors and in conjunction with the annual pay of the non teaching workforce has been accrued into the accounts.

17. The 2010/11 Statement of Accounts in an IFRS compliant format will be presented to the Committee in September 2011.