

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(IFRS) - PROGRESS REPORT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To update members on progress with the implementation of International Financial Reporting Standards (IFRS)

**2. BACKGROUND INFORMATION**

- 2.1 In April 2007 it was announced that Central Government departments and the NHS will be required to prepare their accounts using IFRS from 2008/09. It would be necessary for Government to restate the 2007/08 accounts under IFRS to allow for comparison between the two years.
- 2.2 This will bring a significant part of the public sector into line with EU listed companies who, have been required to use IFRS since January 2005. A major reason for change is to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice. It is also the intention that Whole of Government Accounts (WGA) will be published for the first time for the 2008/09 financial year prepared on an IFRS basis.
- 2.3 The requirement to prepare accounts using IFRS will apply to Local Government from the 2010/11 accounts. There will also be a need to restate the 2009/10 accounts on the same basis for comparison purposes.
- 2.4 All government bodies are required to make a Whole of Government accounts return each year to enable the compilation of a set of accounts incorporating the whole public sector. The timetable above means that the Council will need to produce its 2008/09 Whole of Government Account return using IFRS. This will lead to the Council producing accounts on two different bases for two years.

2.5 A previous report to this committee outlined the progress the council had made towards compliance with the new standards. This is an update to that report. Further progress has been made as follows:

- The finance professional body CIPFA is releasing its draft guidance in sections as they are completed.
- The valuers professional body RICS is working to finalise its guidance shortly.
- Staff have attended several training sessions on the requirements. These include sessions provided by the Audit Commission and Grant Thornton.
- The Asset Management and Culture Service is to engage external valuers to assist in the process of revaluing the council's assets. A complete revaluation of all council assets will be required except for infrastructure assets.
- The Finance Service has, in conjunction with the other Humberside councils, engaged consultants to prepare an assessment of the impact of IFRS on the council's accounts.
- An exercise to assess the financial impact of the requirement to accrue for carried forward leave is underway. Current estimates are that this will reduce council reserves by £0.5m. The Government is considering putting in place arrangements to reduce or remove the impact on reserves.
- An outline project plan has been received from CIPFA. This will form the basis of the council's project plan in due course.
- A meeting is planned with NHS North Lincolnshire to discuss their approach to IFRS.

### **3. OPTIONS FOR CONSIDERATION**

3.1 The changes proposed are a requirement on Local Government and must be implemented. There is no opportunity to vary the presentation of our accounts.

3.2 Members are asked to note the impending changes to the council's accounts and the preparations being made to ensure a smooth transition to the new standards.

### **4. ANALYSIS OF OPTIONS**

4.1 Members are asked to consider this update report and whether this gives adequate assurance on the progress of the implementation of IFRS. There are no options available around the implementation of IFRS itself which is a statutory requirement.

5. **RESOURCE IMPLICATIONS** (*FINANCIAL, STAFFING*)

5.1 Additional resources have been made available to the Finance and Asset Management and Culture Services in the 2009/10 revenue budget. This is to enable the IFRS project to be adequately resourced.

6. **OTHER IMPLICATIONS** (*STATUTORY*)

6.1 The adoption of IFRS is a statutory requirement.

7. **OUTCOMES OF CONSULTATION**

7.1 Consultation is taking place with valuation staff regarding the implementation of necessary revaluations, and with other local authorities and NHS North Lincolnshire on wider implementation issues.

8. **RECOMMENDATIONS**

8.1 Members note the progress made towards the adoption of IFRS for the production of annual accounts.

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**Background Papers used in the preparation of this report**