

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 7

meeting date: 24 NOVEMBER 2010  
title: UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(IFRS)  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

1.1 To inform members of the progress that has been made to date on the adoption of International Financial Reporting Standards and to provide members with information on the new layout that must be adopted for the Council's future financial statements.

1.2 Relevance to the Council's ambitions and priorities:

- Whilst not directly linked to the council's ambitions, this report links most closely with the overarching ambition to be a well-managed council providing efficient services based on customer needs.

### 2 BACKGROUND

2.1 International Financial Reporting Standards (IFRS's) are the accounting standards issued by the International Accounting Standards Board. These standards are the equivalent of the UK GAAP, which is the set of Generally Accepted Accounting Principles (GAAP) under which the Council previously met its statutory obligations in the preparation of its financial statements.

2.2 IFRS has been introduced with the main aim of creating a consistent and comparable set of financial statements across all bodies. It is a statutory requirement for all councils to report on an IFRS basis from the 2010/11 financial year, meaning that this financial year's Statement of Accounts must be produced on an IFRS basis.

### 3 UPDATE ON PROGRESS

3.1 As previously reported to committee, the move to an IFRS-based Code from a UK GAAP-based Code results in a number of significant changes in accounting practice. In summary the main changes for this council can be summarised as:

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- The main financial statements have changed.
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced
- Property leases are classified and accounted for as separate leases of land and buildings.
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.
- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset
- New classification of non-current assets held for sale.

- All employee benefits are accounted for as they are earned by the employee. This will require adjustments for items such as holiday pay.
- 3.2 Good progress has been made on many of these areas of change and amendments are currently being made internally to financial systems in order to assist in the future publication of the council's Statement of Accounts on an IFRS basis, and in the restatement of past financial statements.
- 3.3 In order to provide members with an insight of the new presentation that is required for the financial statements a pro-forma comparison is shown at Annex 1 and Annex 2 to this report. At Annex 1 can be seen the presentation of the financial statements under the previous UK-GAAP. At Annex 2 are the new statements that will be required under IFRS.
- 3.4 Below is a summary comparison of the financial statements which are required under UK-GAAP against those required under IFRS:

<b>Financial Statements under UK-Generally Accepted Accounting Principles (UK-GAAP)</b>	<b>Financial Statements under International Financial Reporting Standards (IFRS)</b>
<b>Income and Expenditure Account</b>	<b>Comprehensive Income and Expenditure Statement</b>
<b>Statement of Movement on the General Fund Balance</b>	-
<b>Statement of Total Recognised Gains and Losses</b>	-
<b>Balance Sheet</b>	<b>Balance Sheet</b>
<b>Cash Flow Statement</b>	<b>Cash Flow Statement</b>
-	<b>Movement in Reserves Statement</b>

- 3.5 It is proposed to bring a recast version of the financial statements to the next meeting of this Committee in March 2011, following consultation with and review by our external auditors, the Audit Commission.

#### 4 CONCLUSION

- 4.1 There are a large number of changes which will be made to the presentation of the Statement of Accounts for the council.
- 4.2 Good progress has been made in preparation for the production of the Council's Statement of Accounts for 2010/11 on an International Financial Reporting Standards (IFRS) basis.
- 4.3 Recast financial statements will be presented to this committee in March 2011

FINANCIAL SERVICES MANAGER

AA28-10/LO/AC  
15 November 2010

# Income and Expenditure Account

UK GAAP

20XX/YY	20YY/ZZ		
	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000
XXX Central Services to the Public	XXX	XXX	XXX
XXX Cultural, Environmental, Regulatory and Planning Services	XXX	XXX	XXX
XXX Highways and Transport Services	XXX	XXX	XXX
XXX Other Housing Services	XXX	XXX	XXX
XXX Adult Social Care	XXX	XXX	XXX
XXX Corporate and Democratic Core	XXX	XXX	XXX
XXX Non Distributed Costs	XXX	XXX	XXX
<b>XXX Net Cost of Services</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
XXX Gain on the Disposal of Fixed Assets			XXX
XXX Parish Council Precepts			XXX
XXX Surplus on Trading Undertakings not Included in Net Cost of Services			XXX
XXX Interest Payable and Similar Charges			XXX
XXX Amortisation of Discounts and Premiums			XXX
XXX Contribution of Housing Capital Receipts to Government Pool			XXX
XXX Interest and Investment Income			XXX
XXX Pensions Interest Cost and Expected Return on Pensions Assets			XXX
<b>XXX Net Operating Expenditure</b>			<b>XXX</b>
XXX Demand on the Collection Fund			XXX
XXX General Government Grants			XXX
XXX Non-Domestic Rates Redistribution			XXX
<b>XXX Deficit For Year</b>			<b>XXX</b>

# Statement of Total Recognised Gains and Losses

*UK GAAP*

20XX/YY £'000	20YY/ZZ £'000
<b>XXX Deficit for the year on the Income and Expenditure Account</b>	<b>XXX</b>
XXX (Surplus)/Loss arising on revaluation of fixed assets	XXX
XXX Actuarial (gains)/ losses on pension fund assets and liabilities	XXX
<b>XXX Total recognised losses for the year</b>	<b>XXX</b>

# Statement of Movement on the General Fund Balance

*UK GAAP*

20XX/YY £'000	20YY/ZZ £'000
XXX Deficit for the year on the Income and Expenditure Account	XXX
XXX Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	XXX
<b>XXX Decrease in General Fund Balance for the Year</b>	<b>XXX</b>
XXX General Fund Balance brought forward	XXX
<b>XXX General Fund Balance carried forward</b>	<b>XXX</b>

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

20XX/YY £'000	20YY/ZZ £'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General fund Balance for the year</b>	
XXX Depreciation and impairment of fixed assets	XXX
XXX Amounts charged to income and expenditure for premiums and discounts	XXX
XXX Government Grants Deferred amortisation	XXX
XXX Revenue Expenditure Funded from Capital under Statute	XXX
XXX Net Gain on Disposals of Fixed Assets	XXX
XXX Net charges made for retirement benefits in accordance with FRS17	XXX
XXX Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	XXX
<b>XXX</b>	<b>XXX</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General fund Balance for the year</b>	
XXX Minimum revenue provision for capital financing	XXX
XXX Capital expenditure charged in-year to the General Fund Balance	XXX
XXX Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	XXX
XXX Employer's contributions payable to the Lancashire County Pension Fund and retirement benefits payable direct to pensioners	XXX
<b>XXX</b>	<b>XXX</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
XXX Housing Revenue Account Balance	XXX
XXX Net Transfers to or from Earmarked Reserves	XXX
<b>XXX</b>	<b>XXX</b>
<b>XXX</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>
	<b>XXX</b>

# Balance Sheet

UK GAAP

31 March 20YY £'000	31 March 20ZZ £'000
<b><i>Fixed Assets</i></b>	
XXX Intangible Assets	XXX
<b><i>Tangible Fixed Assets</i></b>	
<b><i>Operational Assets :</i></b>	
XXX Other Land and Buildings	XXX
XXX Vehicles, Plant and Equipment	XXX
XXX Infrastructure Assets	XXX
XXX Community Assets	XXX
<b><i>Non Operational Assets :</i></b>	
XXX Investment Properties	XXX
<b>XXX Total Fixed Assets</b>	<b>XXX</b>
XXX Long Term Debtors	XXX
<b>XXX Total Long Term Assets</b>	<b>XXX</b>
<b><i>Current Assets</i></b>	
XXX Stocks and Work in Progress	XXX
XXX Debtors and Prepayments	XXX
XXX Short Term Investments	XXX
XXX Cash	XXX
<b><i>Current Liabilities</i></b>	
XXX Short Term Borrowing	XXX
XXX Creditors	XXX
XXX Bank Overdraft	XXX
<b>XXX Total Assets Less Current Liabilities</b>	<b>XXX</b>
XXX Long Term Borrowing	XXX
XXX Government Grants Deferred	XXX
XXX Liability Related to Defined Pension Schemes	XXX
<b>XXX Total Assets Less Liabilities</b>	<b>XXX</b>
<b><i>Financed by</i></b>	
XXX Capital Adjustment Account	XXX
XXX Collection Fund Adjustment Account	XXX
XXX Revaluation Reserve	XXX
XXX Deferred Credits	XXX
XXX Usable Capital Receipts Reserve	XXX
XXX Earmarked Reserves	XXX
XXX Pension Reserve	XXX
XXX Balances - General Fund	XXX
<b>XXX Total Equity</b>	<b>XXX</b>

# Cash Flow Statement

UK GAAP

20XX/YY £'000	20YY/ZZ £'000	£'000
<b><i>Revenue Activities</i></b>		
<b>Cash Outflows:</b>		
XXX Cash Paid to and on Behalf of Employees	XXX	
XXX Other Operating Cash Payments	XXX	
XXX Housing Benefits Paid out	XXX	
XXX Precepts Paid	XXX	
XXX Payments to the Capital Receipts Pool	XXX	
<b>XXX</b>	<b>XXX</b>	
<b>Cash Inflows:</b>		
XXX Council Tax Receipts	XXX	
XXX NNDR Receipts From the National Pool	XXX	
XXX General Government Grants	XXX	
XXX DWP Grant for Benefits	XXX	
XXX Other Government Grants	XXX	
XXX Cash Received for Goods and Services	XXX	
XXX Other Operating Cash Receipts	XXX	
<b>XXX</b>	<b>XXX</b>	
<b>XXX Net Cash Outflow/(Inflow) From Revenue Activities</b>		<b>XXX</b>
<b><i>Returns on Investments and Servicing of Finance</i></b>		
XXX Cash Outflows - Interest Paid	XXX	
XXX Cash Inflows - Interest Received	XXX	
<b>XXX Net Cash Outflow From Returns on Investments and Servicing of Finance</b>		<b>XXX</b>
<b><i>Capital Activities</i></b>		
XXX Cash Outflows - Purchase of Fixed Assets	XXX	
XXX - Other Capital Cash Payments	XXX	
XXX Cash Inflows - Sales of Fixed Assets	XXX	
XXX - Capital Grants Received	XXX	
XXX - Other Capital Cash Receipts	XXX	
<b>XXX Net Cash Outflow From Capital Activities</b>		<b>XXX</b>
<b>XXX Net Cash Outflow Before Financing</b>		<b>XXX</b>
<b><i>Management of Liquid Resources</i></b>		
XXX Net Increase/(Decrease) in Short Term Deposits		XXX
XXX Net Increase/(Decrease) in Other Liquid Resources		XXX
<b>XXX Net Increase/(Decrease) in Short Term Deposits</b>		<b>XXX</b>
<b><i>Financing</i></b>		
XXX Cash Outflows - Repayment of Amounts Borrowed	XXX	
<b>XXX Financing Net Cash Outflow/(Inflow)</b>		<b>XXX</b>
<b>XXX (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>XXX</b>

# Comprehensive Income and Expenditure Statement

## International Financial Reporting Standards

20XX/YY	20YY/ZZ		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
XXX Central Services to the Public	XXX	XXX	XXX
XXX Cultural, Environmental, Regulatory and Planning Services	XXX	XXX	XXX
XXX Highways and Transport Services	XXX	XXX	XXX
XXX Other Housing Services	XXX	XXX	XXX
XXX Adult Social Care	XXX	XXX	XXX
XXX Corporate and Democratic Core	XXX	XXX	XXX
XXX Non Distributed Costs	XXX	XXX	XXX
<b>XXX Cost of Services</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b><i>Other Operating Expenditure</i></b>			
XXX Payment of Precepts to Parishes			XXX
XXX Payment of Housing Capital Receipts to Government Pool			XXX
XXX Gain/Loss on Disposal of Non-Current Asset			XXX
<b><i>Financing and Investment Income and Expenditure</i></b>			
XXX Interest Payable on Debt			XXX
XXX Pensions Interest Costs			XXX
XXX Expected Return on Pension Assets			XXX
XXX Gain/Loss on Trading Accounts			XXX
<b><i>Taxation and Non-Specific Grant Income</i></b>			
XXX Council Tax			XXX
XXX National Non-Domestic Rates (NNDR)			XXX
XXX Revenue Support Grant (RSG)			XXX
XXX Other Non-Specific Grants			XXX
<b>XXX Surplus or Deficit on Provision of Services</b>			<b>XXX</b>
<b><i>Surplus or Deficit on Revaluation of Non-Current Assets</i></b>			
XXX Revaluation Gains			XXX
XXX Revaluation Losses (Chargeable to the Revaluation Reserve)			XXX
XXX Impairment Losses (Chargeable to the Revaluation Reserve)			XXX
XXX <b>Actuarial Gains/Losses on Pension Assets/Liabilities</b>			XXX
<b>XXX Other Comprehensive Income and Expenditure</b>			<b>XXX</b>
<b>XXX Total Comprehensive Income and Expenditure</b>			<b>XXX</b>



# Balance Sheet

## International Financial Reporting Standards

31 March 20XX £'000	31 March 20YY £'000
<b><i>Property, Plant and Equipment</i></b>	
XXX Other land and buildings	XXX
XXX Vehicles, plant, furniture and equipment	XXX
XXX Infrastructure	XXX
XXX Community assets	XXX
XXX Surplus assets not held for sale	XXX
XXX Assets under construction	XXX
<b><i>Investment Property</i></b>	
XXX Investment property	XXX
<b><i>Intangible Assets</i></b>	
XXX Software	XXX
XXX <b><i>Assets Held for Sale (&gt;1 year)</i></b>	XXX
XXX <b><i>Long Term Debtors</i></b>	XXX
<b>XXX Long Term Assets</b>	<b>XXX</b>
XXX Short Term Investments	XXX
XXX Inventories	XXX
XXX Short Term Debtors	XXX
XXX Cash and Cash Equivalents	XXX
XXX Assets Held for Sale (<1 year)	XXX
<b>XXX Current Assets</b>	<b>XXX</b>
XXX Bank Overdraft	XXX
XXX Short Term Borrowing	XXX
XXX Short Term Creditors	XXX
<b>XXX Current Liabilities</b>	<b>XXX</b>
XXX Long Term Borrowing	XXX
XXX Net Pension Liability	XXX
<b>XXX Long Term Liabilities</b>	<b>XXX</b>
<b>XXX Net Assets</b>	<b>XXX</b>
<b><i>Usable Reserves</i></b>	
XXX General Fund	XXX
XXX Earmarked Reserves	XXX
XXX Capital Receipts Reserve	XXX
Capital Grants Unapplied	
Capital Grants Received in Advance	
<b><i>Unusable Reserves</i></b>	
XXX Revaluation Reserve	XXX
XXX Pension Reserve	XXX
XXX Capital Adjustment Account	XXX
XXX Deferred Capital Receipts	XXX
XXX Collection Fund Adjustment Account	XXX
XXX Short-term Accumulating Compensated Abscences Account	XXX
XXX Deferred Credits	XXX
<b>XXX Total Reserves</b>	<b>XXX</b>

# Cash Flow Statement

## International Financial Reporting Standards

20XX/YY £'000	20YY/ZZ £'000	£'000
<b><u>Operating Activities</u></b>		
XXX Taxation	XXX	
XXX Grants	XXX	
XXX Sales of goods and rendering of services	XXX	
XXX Interest received	XXX	
XXX Other receipts from operating activities	XXX	
<b>XXX Cash Inflows Generated from Operating Activities</b>	<b>XXX</b>	
XXX Cash paid to and on behalf of employees	XXX	
XXX Housing benefit paid out	XXX	
XXX National non-domestic rate payments to national pool	XXX	
XXX Precepts paid	XXX	
XXX Payments to the Capital Receipts Pool	XXX	
XXX Cash paid to suppliers of goods and services	XXX	
XXX Interest paid	XXX	
XXX Other payments for operating activities	XXX	
<b>XXX Cash Outflows Generated from Operating Activities</b>	<b>XXX</b>	
<b>XXX Net Cash Flows from Operating Activities</b>		<b>XXX</b>
<b><u>Investing Activities</u></b>		
XXX Purchase of property, plant and equipment, investment property and intangible assets	XXX	
XXX Purchase of short-term (not considered to be cash equivalents) and long-term investments	XXX	
XXX Other payments for investing activities	XXX	
XXX Proceeds from the sale of property, plant and equipment, investment property and intangible assets	XXX	
XXX Proceeds from short-term (not considered to be cash equivalents) and long-term investments	XXX	
XXX Other receipts from investing activities	XXX	
<b>XXX Net Cash Flows from Investing Activities</b>		<b>XXX</b>
<b><u>Financing Activities</u></b>		
XXX Cash receipts of short- and long-term borrowing	XXX	
XXX Other receipts from financing activities	XXX	
XXX repayments of short- and long-term borrowing	XXX	
XXX Other payments for financing activities	XXX	
<b>XXX Net Cash Flows from Financing Activities</b>		<b>XXX</b>
<b>XXX Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>XXX</b>
<b>XXX Cash and Cash Equivalents at the Beginning of the Reporting Period</b>		<b>XXX</b>
<b>XXX Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>XXX</b>

# Movement in Reserves Statement

## *International Financial Reporting Standards*

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Receipts in Advance	Capital Grants Unapplied	Total Usable Reserves	Unusable	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 20YY</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Surplus or (deficit) on provision of services	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Other Comprehensive Expenditure and Income	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Total Comprehensive Expenditure and Income</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Adjustments between accounting basis & funding basis under regulations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Transfers to/from Earmarked Reserves	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Increase/Decrease (movement) in Year</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Balance at 31 March 20ZZ carried forward</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX