

Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

30 June 2011

**International Financial Reporting Standards Implementation Update
and Carry Forward Requests**

1. Contacts

Cabinet Member:

Tricia Tull - Cabinet Member for Finance

Telephone: 01243 641439 E-mail: ttull@chichester.gov.uk

Report Author:

David Cooper - Group Accountant

Telephone: 01243 534733 E-mail: dcooper@chichester.gov.uk

2. Recommendation

- 2.1. That the Corporate Governance and Audit Committee notes the progress made to date implementing the accounting changes associated with the requirement to comply with International Financial Reporting Standards.**
- 2.2. That the Corporate Governance and Audit Committee comments on the carry-forward requests and requests that the Cabinet considers the requests totalling £39,700 for budgets to be carried forward as identified in Appendix 1.**

3. Main Report

3.1. Background

- 3.1.1 The purpose of this report is to update the committee on the council's progress implementing the new requirement to convert to International Financial Reporting Standards (IFRS) for the reporting of local authority accounting information. The report also includes a schedule in appendix 1 of carry forwards requested by officers into the 2011-2012 financial year.

3.2. Update on IFRS progress since March 2011

- 3.2.1 At the time of writing this report the accountancy team are working hard to finalise the council's Statement of Accounts under IFRS by the 30 June 2011 deadline. Applying IFRS is a technical exercise that requires a major effort from the Finance and Estates teams.
- 3.2.2 Since the last progress update in March 2011 many of the changes to accounting practice required under IFRS have been completed and the majority of tasks are following the agreed IFRS implementation plan.

- 3.2.3 The only area where difficulties are being experienced is with use of the newly acquired Real Asset Management System as a replacement for the Council's in-house Access database asset register. Testing of the system using Council asset data identified that the system was not dealing with all asset transactions under IFRS correctly.
- 3.2.4 Ongoing dialog with the software supplier has provided a number of manual workarounds in order to arrive at the correct year-end balances. Consequently there has been a delay producing the complex capital asset transactions required to close the accounts. Although many of these transactions are notional charges i.e. they do not impact on the bottom line as they are removed for the purposes of council tax, they are a key component of the council's Statement of Accounts and are integrated into many of the accompanying notes.
- 3.2.5 Officers will continue to hold discussions with the software supplier in order to overcome these software failings for the future.
- 3.2.6 The audited Statement of Accounts will be submitted to this committee at its meeting in September.

3.3. Carry forward requests

- 3.3.1 In accordance with financial regulations, at the end of each financial year the committee may determine that unspent balances of a specific nature may be carried forward into the following financial year and that overspent budgets of a specific nature may be clawed back from the appropriate budget in the following financial year. Appendix 1 gives an overall position statement of requests for budgets to be carried forward as identified by officers and also includes the carry forward requests into 2011-2012 that have already been approved by the Executive Board.
- 3.3.2 Unspent balances at the year-end normally revert to general balances and are taken into account when considering the budget strategy for future years. Exceptionally, however, the committee may take the view that an underspend arises from circumstances outside the control of the budget manager and that it is in the council's best interests to carry forward a budget. Increasingly, the council is taking a medium term view of its finances. Budget managers with rolling programmes and recurring budgets are making more effective use of limited resources by planning expenditure beyond each financial year. However, the committee are requested to scrutinise the reasons behind carry forward requests to satisfy itself that underspends have not arisen due to poor performance.
- 3.3.3 Early indications suggest that the council will be underspent by £1.4 m for 2010-2011. This is an increase of £800k over the £625k underspend forecast in the revised budget. The most significant variances against the revised budget are staff vacancy savings (£240k), reduced housing and council tax benefit net expenditure (£191k), lower than budgeted housing benefit overpayments (£110k), carry forward requests (£40k), a greater surplus generated by Chichester Contract Services (£126k) and a loss of income due to lower than anticipated income generated by the council's car parks (£115k). Further

details will be available when the audited Statement of Accounts is submitted to this committee in September.

- 3.3.4 A further report will be submitted to the November meeting of the committee to enable members to review the progress on each of the carry forward items.

4. Appendices

- 4.1. Appendix 1 – Schedule of carry forward request in the 2011-2012 financial year.

5. Background Papers

- 5.1. Progress Report on International Financial Reporting Standards submitted to the Corporate Governance and Audit Committee 24 March 2011.