

IMPLICATIONS FOR COUNCIL OF PROPOSED FINANCIAL REPORTING STANDARDS

1. Purpose of report

The purpose of this regular report is to inform the Subcommittee of new and proposed International Financial Reporting Standards and their likely impact for the Council.

2. Recommendations

Officers recommend that the Audit and Risk Management Subcommittee:

1. *Receive the information.*
2. *Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last regular Subcommittee meeting on 18 March 2013.*

3. Background

The Local Government Act 2002 requires the Council to comply with GAAP in preparing the Annual Report. GAAP is defined by the External Reporting Board (XRB) to encompass all applicable Financial Reporting Standards (FRSs) and other sources of appropriate authoritative support (for example; exposure drafts of Financial Reporting Standards, International Accounting Standards etc).

Council Officers have undertaken to report to the Subcommittee on a regular basis in relation to any new IFRSs and any exposure drafts currently on issue by XRB. This report outlines developments in GAAP and the implications for the Council since the last regular Subcommittee meeting on 18 March 2013.

4. Developments in financial reporting

4.1 *Release of NZ PBE IPSAS based accounting standards*

The XRB recently announced the release of 39 Standards comprising both PBE Standards and PBE Standards Reduced Disclosure Regime (PBE Standards RDR) that will apply to public sector PBEs in Tier 1 and Tier 2 respectively. The PBE standards are effective for reporting periods starting on or after 1 July 2014.

The XRB noted that there had been a number of changes made to the proposed PBE standards as a result of the submissions made. Council Officers will review the changes and report on any significant impacts that the PBE standards will have on Council at the next regular sub-committee meeting.

4.2 Submissions

The Council makes submissions on discussion papers or exposure drafts where there is potential for it to have a significant impact on either the Council as a reporting entity or the level of funding provided by ratepayers. We also consider whether the proposals are appropriate, in our opinion, from a standard setting perspective.

4.2.1 Submissions made

No submissions have been made since the last regular sub-committee meeting.

4.3 Summary of exposure drafts reviewed since the last committee meeting

Below are tables summarising the exposure drafts reviewed since the last regular sub-committee meeting. Standards issued for for-profit entities have been reviewed at a high level to maintain an awareness of the current thinking in standard setting which may flow through to PBE standard setting.

4.3.1 PBE exposure drafts issued

Exposure Draft	Impact/Summary
None	

4.3.2 PBE consultation papers issued

Consultation Paper	Impact/Summary
None	

4.3.3 For-profit exposure drafts issued

Exposure Draft/ Discussion Paper	Summary
Proposals for amendments to IAS 39 Financial Instruments: Recognition and Measurement Novation of derivatives and continuation of hedge accounting	The exposure draft introduces an exception to the requirements for the discontinuation of hedge accounting in IAS 39. The proposal is that the discontinuation requirements of hedge accounting would not apply to the hedging instrument if specific conditions are met.
ED 2013/3 Financial Instruments Expected Credit Losses	The exposure draft proposes that the threshold for recognising credit losses be amended so that the losses no longer need to have been incurred. Expected credit losses, and changes in those expectations of credit losses, would always be recognised.

ED 2013/4 Defined Benefit Plans: Employee Contributions	The exposure draft proposes that where contributions are formally set out in terms of a defined benefit plan that the contributions from the employees or third parties is able to be recognised as a reduction in the service cost in the period in which it is payable in certain circumstances.
ED/2013/5 Regulatory Deferral Accounts	The exposure draft has been released to provide guidance to entities that are subject to rate regulation on the treatment that is applicable under IFRS.

4.4 Exposure drafts on issue

The following exposure drafts are currently on issue and will be reviewed before the next regular sub-committee meeting:

- IPSASB Public Sector Conceptual Framework Exposure Draft – Phase 4 – Presentation in General Purpose Financial Reports
- IASB ED/2013/6 Leases

5. Conclusion

We will circulate any key documents to Subcommittee members as they become available. We will also continue to report developments in Financial Reporting Standards to the Subcommittee on a quarterly basis.

Contact Officer: Nicky Blacker, Manager, Financial Accounting

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The report supports Council's overall vision by ensuring that legislative compliance with GAAP (NZ IFRS) is appropriately managed.

2) LTP/Annual Plan reference and long term financial impact

The report has no specific Annual Plan reference. There is no long term financial impact arising from the report.

3) Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

4) Decision-making

There are no significant decisions required by the paper.

5) Consultation

a) General consultation

There are no parties significantly affected by this paper.

b) Consultation with Maori

Maori are not significantly affected by this paper.

6) Legal implications

This report has no specific legal implications.

7) Consistency with existing policy

This report is consistent with existing policy.