



Kanton Zürich
Finance Administration

Implementation Update Canton of Zurich

12nd Sep 2023



Agenda

1. IPSAS Adoption and implementation (CB)
2. IPSAS 43 Lease – challenges (CJ)
3. Financial Planning and budgeting process in the Canton of Zurich (Sim)
4. IPSAS: Enabler for a Conclusive Public Finance Management (BS)
5. Questions

Speakers

- Basilius Scheidegger, Head of Finance Administration (BS)
- Claudia Beier, Head of Financial Accounting and Reporting (CB)
- Corinne Jaeger, Project manager implementation of IPSAS 43 (CJ)
- Bettina Simioni, Head of Financial Planning (Sim)

Accounting history – Canton Zurich

until 1982:

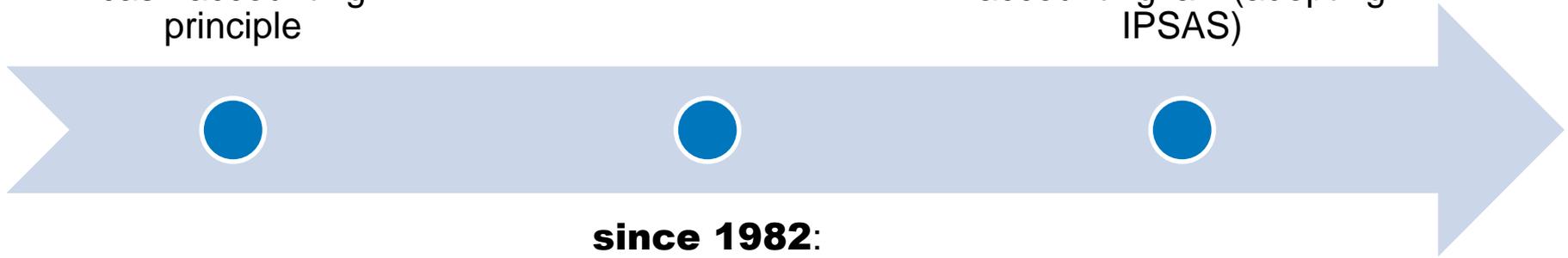
cash accounting
principle

since 2009:

new controlling und
accounting law (adopting
IPSAS)

since 1982:

accrual accounting
principle



Implementation process

2000

- Political mandate for revision of financial management act

2003

- IPSAS feasibility study

2004

- Start IPSAS project

2006

- New Controlling and Accounting Law (CRG) approved by parliament

2008

- Related regulation approved by parliament,
- Report on restatement issued by government council,

2009

- Budget 2009 according to CRG/IPSAS approved
- CRG (IPSAS) is enacted

2010

- CRG/IPSAS Financial Statement 2009 published

IPSAS used - Canton Zurich

- IPSAS 1-42 with a few exceptions
- IPSAS 43-48 under review for implementation

Exceptions:

- IPSAS 35 – Consolidated and separate financial statement
own definition of consolidation scope
- IPSAS 36 – Investments in Associates
only acquisition costs or fair values depending of purpose of holding the assets
- IPSAS 39 – Employee Benefits
employee benefits obligations presented in notes and not in f/s; instead obligation presented from Swiss GAAP FER

The implementation process / Results

- One law and two regulations established
- Mandatory use of standardized chart of accounts for all entities
- Accounting manual developed (approx. 550 pages)
- Two restatement of statement of financial position approved by the Cantonal Parliament
- Preparation consolidated f/s using SAP

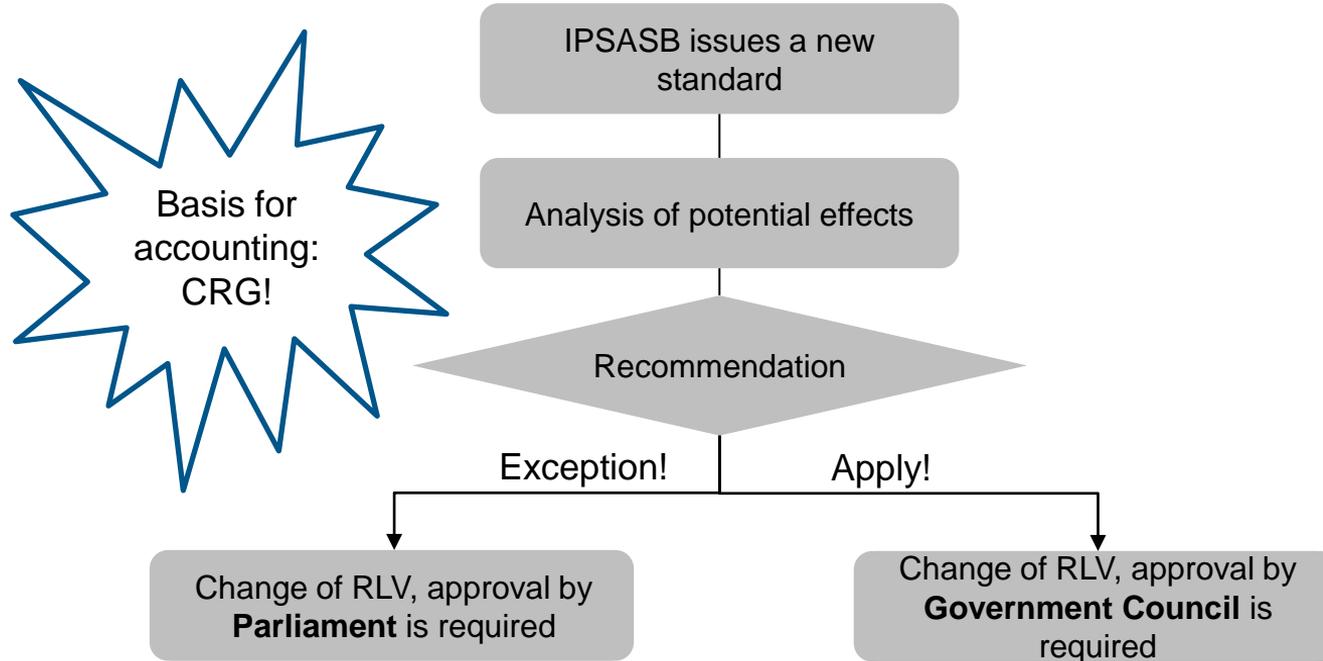
Our experiences

- Support from top management is necessary
- Better to communicate more than too little (simple messages)
- Training is important on all levels
- Keeping as straightforward as possible
- Pragmatic versus perfect
- Use of materiality in accounting and presentation
- Preparation of data (e.g. for fixed asset accounting) is very time-consuming
- Enough time to ensure good quality

IPSAS 43 Lease – challenges

**Corinne Jaeger – Project manager implementation
of IPSAS 43**

Adoption of a new Standard



IPSAS 43 Lease – questions

- What types of leases exist?
- How many contracts are involved?
- What are their characteristics (lease term, rental amount, notice periods)
- What is the expected impact on the balance sheet and the income statement?
- How would the key figures change?
- What are the legal requirements around leases?



IPSAS 43 Lease – challenges

- Performance indicators remain meaningful and comparable with other cantons
- Legal compliance: No changes to spending power
- Identification, calculation and accounting for leasing contracts can be implemented with existing resources
- Compatibility with Swiss cantonal harmonized minimum Public Sector Accounting Standards (HAM2)
- Compatibility with requirements regarding financial statistics



IPSAS 43 Lease – answers

- Majority of internal leases do not qualify to be a “contract”
- Working assumption: a substantial part of contracts do not qualify to be a “lease” under IPSAS 43
- Remaining number of lease contracts is still large: process change required!
- Financial consequences on balance sheet, P&L and key figures are negligible



IPSAS 43 Lease – way forward

- Ongoing exchange with other Cantons and the Swiss Federation
- Further analysis regarding legal compliance required: No change to spending power!
- Finalise recommendation and prepare basis for conclusion for Government Council
- If not adopted: implement changes to legal basis/ accounting manual
- If adopted: implement changes to legal basis/ accounting manual, decide on implementation approach, start with concept phase (processes, IT-system)





**Kanton Zürich
Finanzverwaltung**

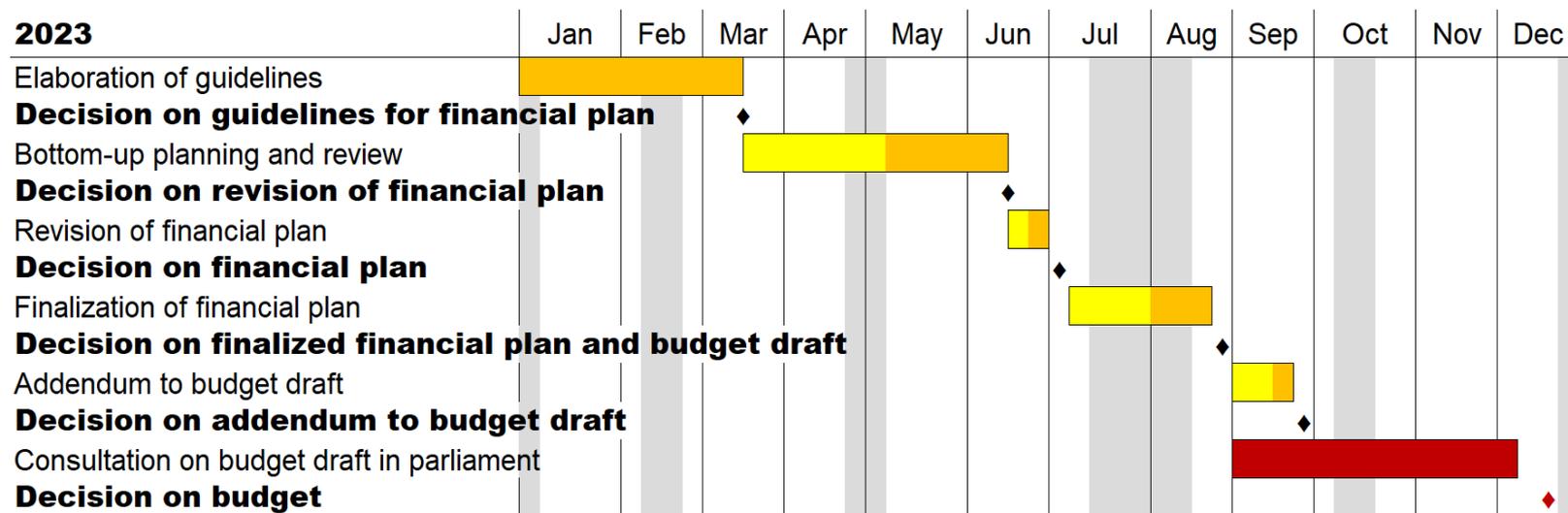
Financial Planning and budgeting process in the Canton of Zurich

IPSAS Board, Zurich, 12 September 2023

**Bettina Simioni
Head of Financial Planning**



Yearly process budget 2024 and financial plan 2024–2027



Departments

Department of Finance / Government Council

Parliament



Budget (1/2)

	Content	Decision by
Budget Profit and Loss Statement*	Net total of expenses and income (net value), excluding fund deposits or withdrawals, excluding cantonal income to balance the income statement	Parliament (at the request of the Government Council)
Budget Statement of Investments*	Capital expenditures (gross value)	Parliament (at the request of the Government Council)
Supplementary Credits I & II	In case budget is not sufficient (in general two collective decisions each year)	Parliament (at the request of the Government Council)

* Hospitals: Independent decision



Budget (2/2)

	Content	Decision by
Credit Transfer	Transfer of unused budget for uncompleted projects to next year's budget	Government Council (for the attention of the parliament)
Credit Overrun	For urgent projects, if postponement would have adverse consequences for canton, due to federal law, court decisions or transitory contributions	Government Council

Budget* + Credit Transfers + Supplementary Credits (I & II) = **Budget Plus**

* Applies to Budget Profit and Loss Statement & Budget Statement of Investments as decided on by parliament



Medium term P&L equalization (financial plan 2024–2027)

In m Swiss Francs	R20	R21	R22	B23	P24	P25	P26	P27	20-27
Consolidated profits and losses	499	758	543	-83¹⁾	-390	-442	-359	-296	229
Special provision BVK (Decision 4851)	-50								-50
Special provision ZKB (Decision 245/2015)	-23	-27	-28	-24	-28	-28	-28	-28	-216
Consolidated profits and losses for medium term P&L equalization²⁾	425	731	515	-107	-418	-471	-388	-325	-37

¹⁾ Budget 2023 including supplementary credits approved by parliament and requested by the Government Council, credit transfer due to the Covid-19 hardship program, reassessment of tax revenue forecasts, investment income and cantonal fiscal equalization

²⁾ As per financial plan 2024–2027

+ Profit / Improvement

- Loss / Deterioration

→ Impact: Stabilization of equity (not debt!)



Expenditures: Authorization of projects

- **Requirements:**
 - Legal basis
 - Approved budget (either for profit & loss statement or statement of investments)
 - Expenditure authorization
- **New expenditures:** Relatively large freedom of action with regard to amount, timing or other essential circumstances
- **Non-discretionary expenditures:**
 - Necessary for the fulfillment of administrative tasks prescribed by law
 - Special cases, such as *rental contracts with the exception of financial leasing*
 - Certain state contributions





Expenditures: Responsibilities

	Parliament (eligible for referendum)	Gonvernment Council	Departments
New expenditures			
One-time	> 4 m	> 1 - 4 m	≤ 1 m
recurring	> 400'000	> 200 000 – 400'000	≤ 200'000
Non-discretionary expenditures			
One-time	–	> 1 m	≤ 1 m
recurring	–	> 200'000	≤ 200'000





Kanton Zürich
Finance Administration

IPSAS: Enabler for a Conclusive Public Finance Management

Basilius Scheidegger, Head of Finance Administration



Information versus Interpretation

- Sphere of Administration:
 - correct management
 - neutral and complete reporting
 - view of the present and the past

- Sphere of Politics:
 - interpretation
 - implementation of measures
 - view into the future

Acceptance and stability

- Proven track record: 15 years of stability
 - Precise and neutral rules are irrevocable
 - Providing acceptance
- IPSAS linking both spheres:
- administration and politics
 - past / present and future

Steering according to Accounting

- Same rules for steering and accounting:
 - Budgeting of the legal year
 - Approval of projects (beyond one legal year)
 - Annual statement of the legal year
 - Accounting manual becomes valid one year before the legal year

- Predictable deviations:
 - Swiss National Bank pay-out
 - Budget residual
 - Taxes during crisis

- precise prevision of the future (“faithful presentation”)
 - New in 2024: budgeting of budget residual and recording of a provision

Broad consolidation, basis for budget rule

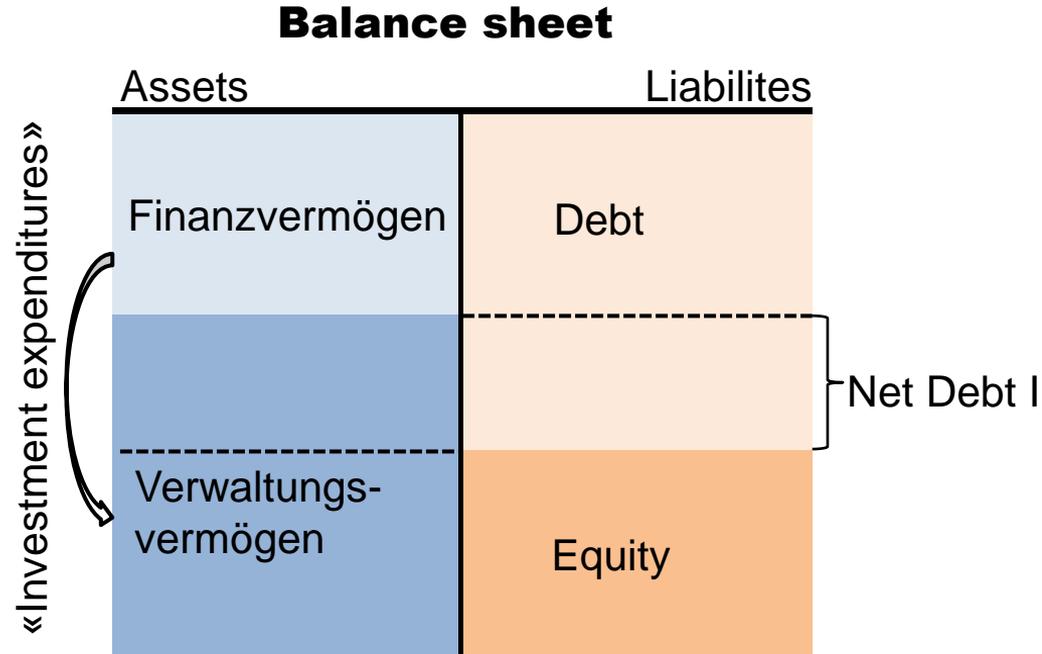
- Consolidation includes all controlled entities, dependent on the state
- Except self-sustaining entities: financial institution, electric power company, and buildings insurance company
- Compliance with budget rule includes consolidated entities
- Supporting transparency, early view onto financial problems, immediate attention and pressure by all other entities (they don't want to solve other's problems)
- Sometimes contested, but never changed

Two general asset classes (1/2)

- Traditional system within all Swiss cantons, outflow of financial referendum
- «Finanzvermögen»: Free assets, not yet bound for the state's public services
 - Fair value (can be sold immediately)
 - Administered by the executive (government)
- «Verwaltungsvermögen»: Assets bound for public services, often long-term, can't be sold without impact on fulfilling public services
 - Initial (decision) value, depreciated by years in use
 - Build-up: institution according to the amount (above 4 million CHF: legislative (parliament), with optional financial referendum)
 - Build-up is called «investment expenditures»

Two general asset classes (2/2)

- Balance figure “Net Debt I” shows how much of the:
 - debt is not covered by (immediately disposable) “Finanzvermögen”
 - “Verwaltungsvermögen” (in use for public services) is not covered by equity



Challenge within Switzerland

- Confederation and a few Cantons are applying IPSAS
- Municipalities and majority of Cantons have still not moved on to IPSAS
- Reputation of being «too complex / too expensive for our little entity»
- Misunderstanding or need for a better reputation?
- Need for helpful guidelines and examples for an easier application



Thank you

- Thank you
 - for your extensive work
 - for being here in Zurich – enjoy your visit!

- Questions and discussion

