

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

25 January 2016

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ACCOUNTING POLICIES FOR 2015/16 FINANCIAL STATEMENTS

This report presents the Accounting Policies proposed for the 2015/16 Financial Statements.

1.1 Introduction

1.1.1 The Accounting Policies to be used in the preparation of the Financial Statements are attached at **[Annex 1]** for Members' consideration and approval.

1.1.2 The only change to the Policies is as a result of a change to the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 in respect of the valuation of Investment Properties.

1.1.3 For Investment Properties the valuation was previously carried out on an existing use value, they will now be carried on the balance sheet at fair value, meaning that the Council should consider if there would be a greater gain from an alternative use of such an asset. The new accounting policy can be found below.

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

With this in mind we have asked our valuers to review our investment properties and consider both alternative uses and values.

1.1.4 No further changes have been made to the Accounting Policies.

1.2 Legal Implications

1.2.1 Under the Code the Council is required to prepare and follow Accounting Policies for its Financial Statements.

1.3 Financial and Value for Money Considerations

1.3.1 None.

1.4 Risk Assessment

Failure to follow Accounting Policies could result in misrepresentation of the Financial Statements and ultimately qualification of the Accounts.

1.5 Equality Impact Assessment

1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Recommendations

1.6.1 The Committee is asked to **endorse** the Accounting Policies to be used in the preparation of the 2015/16 Financial Statements as set out at **[Annex 1]**.

Background papers:

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Nil

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Director of Finance and Transformation