

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

26 January 2015

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ACCOUNTING POLICIES FOR 2014/15 FINANCIAL STATEMENTS

This report presents the Accounting Policies proposed for the 2014/15 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 is as a result of Grant Thornton's recommendation following the audit of the 2013/14 Accounts in respect of the interim revaluation of assets. The intention is to ask the Council's external valuers to provide a valuation of the asset category subject to revaluation in year and also interim valuations in respect of our major assets, i.e. council offices, leisure premises and car parks where appropriate. The new accounting policy can be found below.

Land and Buildings

The Borough Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. The programme is as follows:

<i>Asset Category</i>	<i>Year of Valuation</i>	
<i>Properties for Community Use</i>	<i>2008/09</i>	<i>Completed</i>
<i>Public Conveniences</i>	<i>2009/10</i>	<i>Completed</i>
<i>Council Offices</i>	<i>2010/11</i>	<i>Completed</i>
<i>Car Parks</i>	<i>2011/12</i>	<i>Completed</i>
<i>Leisure Premises</i>	<i>2012/13</i>	<i>Completed</i>
<i>Properties for Community Use</i>	<i>2013/14</i>	<i>Completed</i>

In addition to the valuation of the asset category above the Code requires the Council to consider material changes in other assets not due for revaluation in year under the five year rolling programme. The Council's external valuers will undertake interim valuations in respect of our major assets, i.e. council offices,

leisure premises and car parks where appropriate. Where the interim valuation shows a movement of £100,000 or more the Balance Sheet values will be updated accordingly.

The valuations reviews are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS) and based on the market value for existing use or where a market value cannot be determined as the property is of a specialist nature the depreciated replacement cost. The method used will be explained in the notes to the Accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 50 years depending on the building. In accordance with the Code land is not depreciated.

The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is in excess of £100,000.

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

None.

1.4 Risk Assessment

- 1.4.1 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 requested to:

- 1) **Note** and **endorse** the Accounting Policies to be used in the preparation of the Financial Statements as set out at **[Annex 1]** and to make such recommendations, as the Committee considers appropriate, to the General Purposes Committee meeting on 2 February.

Background papers:

contact: Paul Worden

Nil

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