

Audit and Governance Committee

Meeting to be held on Monday, 26 September 2016

Electoral Division affected:
(All Divisions);

Statement of Accounts - Waste Plant - Valuation

Contact for further information:

Neil Kissock, Tel: 01772 536154, Director of Financial Resources,
Neil.Kissock@lancashire.gov.uk

Executive Summary

At the meeting of the Audit and Governance Committee in June 2016, the Committee considered the views of the External Auditors in relation to the valuation of the Waste Facilities at Farrington and Thornton to be contained in Statement of Accounts for the financial year 2015/16.

It was noted that the Council would seek advice from external professional valuers on whether the change in anticipated use of the facilities would materially change the value of the facilities to be reported in the Council's Statement of Accounts.

Having done so, the independent valuation has concluded that there has been a reduction in the value. However, the value of the facilities is not deemed to have materially changed. The value of the assets held in the accounts is therefore considered materially correct and no change has been made.

Recommendation

The Committee are asked to note the report.

Background and Advice

At the meeting of the Audit and Governance Committee in June 2016, the Committee considered the views of the External Auditors in relation to the valuation of the Waste Facilities at Farrington and Thornton to be contained in Statement of Accounts for the financial year 2015/16.

It was noted that the Council would seek advice from external professional valuers on whether the change in anticipated use of the facilities would materially change the value of the facilities to be reported in the Council's Statement of Accounts.

Hilco Global have now carried out a desktop valuation of the plant and equipment which determined that the estimated change in value could be in the region of £22m as relating to the Council.

The CIPFA code does not specify a quantitative threshold but requires authorities to consider whether or not a change or omission could influence decisions that users make on the basis of the financial information. In relation to the accounts for 2015/16, the External Auditors have set out a materiality limit of £32m. The value of the facilities is therefore considered not to have materially changed, and the valuation held in the Statement of Accounts has been upheld.

It must be noted that the value of property, plant and equipment held in the Council's Balance Sheet does not represent an estimate of how much the Council would receive if they sold the asset. In the event that there is a change in valuation there are a number of accounting rules that have to be followed. These would result in changes in the Balance Sheet but there is no associated funding requirement and no impact on the Council's budget.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Financial

As set out in the report.

Risk management

Material misstatements in the accounts could lead to a qualified audit opinion.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Waste Facilities Valuation – Business Decision Analysis Audit & Governance Committee	June 2016	Khadija Saeed, Head of Corporate Finance 01772 536195

Reason for inclusion in Part II, if appropriate

N/A