

These notes are extracts taken from the Annual Statement of Accounts

The following are partial extracts from the Statement of Accounting Policies

**Policy 14. INVESTMENT PROPERTY**

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Rental Income from Investment Property	(1,000)	(1,014)

**Policy 18. PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classed as Property, Plant and Equipment.

**Recognition**

Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.

The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment.

**Measurement**

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years

Additional Notes for Hitchin Area Committee

**Revaluations.** - these are carried out on a five year rolling programme to ensure every asset is valued at least every five years. Some categories of assets may be revalued in less than five years for a range of reasons, e.g. changes in asset classification (such as from investment asset to community asset) or due to their high value.

**Depreciated replacement cost** – an estimate of the cost to re-build a similar asset. This is not a market value estimate

**Depreciated historical cost** – Initial cost of the asset, less accumulated depreciation since then. Used for assets with no expected market for sale

**Depreciation** – An accounting convention under which asset values are reduced annually to reflect ageing / wear and tear.

**Fair value** – this represents an estimate of asset value sufficient for accounting purposes. It is not a market valuation. A specific market valuation would be obtained if an asset was to be put forward for disposal.

**De-minimis level** – expenditure must exceed this level in order to be regarded as capital spend. Different organisations will set this level at different figures, depending on many factors including size/complexity of the organisation and a balance between regarding immaterial spend (for that organisation) as capital on one hand and only capitalising the very largest items on the other; i.e. proportionality.

**Accruals** – the authority's accounts are prepared on an accruals basis, meaning that items of expenditure are recorded in the annual accounts (and therefore charged to budgets) in the year they were received.