

PART ONE

To: Police Authority
Date: 3rd November 2011
By: Ian Perkin, Treasurer
Title: Financial Regulations Amendment

Purpose of Report

To ask the Authority to accept the recommendation of the Audit Committee and approve a change to Financial Regulations, relating to the accounting arrangements for depreciating assets.

Summary

The introduction of a new asset management system now allows the calculation of depreciation of the Authority's assets to commence one month after the date of acquisition. The previous system only allowed depreciation to be calculated the following April, regardless of when in the year an asset was acquired. To allow better depreciation calculations to be made, it is necessary for the Authority to agree to a small revision of Appendix I of the Financial Regulations. A proposed new Appendix I is attached to this report with the necessary change being highlighted in italics on the second page.

Recommendations

The Authority is asked to accept the recommendation of the Audit Committee and approve the revised Financial Regulations Appendix I attached to this report.

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FINANCIAL REGULATIONS REVISED APPENDIX I - FIXED ASSET PROCEDURES

General

Until 2010/11 assets are recorded in the Financial Statements in accordance with the requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice (the SORP). From 2010/11 assets will be recorded in line with International Financial Reporting Standards (IFRS).

Details of assets owned by Surrey Police are held centrally on a Fixed Asset Register (FAR) and are managed by the Asset Management Team within the Finance Department.

All relevant expenditure on land and buildings and other assets, above a £10,000 threshold, is capitalised and added to the FAR.

Under the Sorp, land and buildings are recorded in the books at current cost (existing use value) – known as fair value under IFRS. All other fixed assets (except assets held for sale - see 16.8 below) are valued at historic cost.

There are additional databases of assets held separately by the following areas:

- Estates uses Oak Leaf for all property assets;
- ICT records computer assets on the Xasset system;
- Fleet uses Tranman for vehicles.

All assets are depreciated except land, assets in the course of construction and, under IFRS, assets held for sale.

Additions

The Asset Management Team, in liaison with the Capital Accountant, adds newly acquired assets to the FAR through detailed analysis of transaction listings for capital/project codes.

Disposals

The Asset Management Team removes from the FAR, assets that have been disposed of by reference to information received from Estates, Fleet & ICT areas.

Impairments

Assets are reviewed annually for impairment and any resultant diminution in value is reflected in the financial statements.

Revaluations

Land & buildings are assessed for value by external experts on a rolling five year basis.

Assets under construction (AUC)

AUCs are valued at historic cost and are not depreciated until the year after they are fully completed when they are transferred to the appropriate fixed asset category and valued as described above.

AUCs are controlled by the Capital Accountant who conducts a full review of them annually.

Inventory

Assets valued below the threshold of £10,000 are recorded separately on spreadsheets/databases. These include mobile phones, equipment used in covert operations and ICT equipment.

Assets held for sale (surplus assets)

Under the SORP, surplus assets are valued at market value. Under IFRS assets classified as held for sale will not be depreciated and will be valued at the lower of the carrying value or fair value (market value) less cost to sell.

Depreciation

All assets that are subject to depreciation are depreciated on a straight-line basis commencing *in the month after capitalisation*. Although depreciation is calculated on the estimated life of the specific individual asset concerned, the approximate average depreciation periods are as follows:

Buildings - 25 Years

Helicopter - 10 Years

Equipment - 5 Years

Vehicles - 5 Years

Intangibles – 3 Years