

COMMITTEE: **AUDIT AND GOVERNANCE**

DATE: **14TH MARCH 2012**

SUBJECT: **ACCOUNTING POLICY FOR HERITAGE ASSETS**

REPORT BY: **HEAD OF FINANCE**

CONTACT OFFICER: **JEAN STEVENSON 01582 546127**

IMPLICATIONS:

LEGAL	✓	COMMUNITY SAFETY
EQUALITIES		ENVIRONMENT
FINANCIAL	✓	CONSULTATIONS
STAFFING		OTHER

WARDS AFFECTED: NONE

PURPOSE

1. To seek approval for the Accounting Policy to be applied for Heritage Assets for the 2011/12 Accounts

RECOMMENDATION(S)

2. **Audit and Governance Committee is recommended to approve the draft Accounting Policy for Heritage Assets and instruct the Head of Finance to make any necessary refinements to the policy prior to the final Statement of Accounts being presented to the Committee for approval.**

BACKGROUND

3. The committee approved the 2010/11 Statement of Accounts in September 2011. A note was included in the accounts regarding accounting standards that had been issued, but had not yet been adopted.
4. This note explained that the Accounting Standards Board had issued FRS30, Heritage Assets, in June 2009 and that the standard would be adopted for the 2011/12 accounting year. It further explained that Heritage Assets were currently classified as Community Assets within the accounts and were carried at a nominal £1 each. The current asset register was estimated to include approximately sixty lines which could be heritage assets and these ranged from single items to full museum collections.

REPORT

5. Work has commenced to implement FRS 30 for the 2011/12 Statement of Accounts and initial work has identified five separate groups of Heritage Assets. It is proposed that each of these groups should be identified separately in the accounting policies.
6. The proposed groupings are as follows:
 - The Mossman Collection of horse-drawn vehicles
 - The Wenlok Jug
 - Luton Museum Service Collections
 - The Silver Room Collection (Civic Regalia)
 - Archaeological Site (Waulud's Bank)
7. The proposed addition to the Statement of Accounting Policies is attached at Appendix A.
8. Further work is still underway, including enquiries with all the Council's schools, and it is possible that further Heritage Assets will be identified and will need to be included in the Accounting Policies. Any additions and amendments will be identified to members when the Statement of Accounts is approved.

PROPOSAL/OPTION

9. Members are asked to approve the addition to the Statement of Accounting Policies for Heritage Assets, but can request that additional

information be provided. They could also request that the matters discussed in this report be drawn to the attention of another committee.

LEGAL IMPLICATIONS

10. The Council is required by statute to follow proper practices in relation to the production of the Statement of Accounts.
11. These legal implications have been agreed by Angela Claridge on 27 February 2012.

FINANCIAL IMPLICATIONS

12. The financial implications are contained in the body of the report.

APPENDIX

Appendix A - Section of Statement of Accounting Policies.

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

Accounts and Audit Regulations 2011

Code of Practice on Local Authority Accounting in the United Kingdom 2011/12,
published by CIPFA

FRS30 – Heritage Assets, published by the Financial Reporting Council

STATEMENT OF ACCOUNTING POLICIES

Heritage Assets

The Council's Heritage Assets are predominately held in the Museums operated by Luton Cultural Services Trust. It also holds a number of other Heritage Assets which have been reclassified from Community Assets. The Heritage Assets held in the Museums are held in support of the primary objective of the Trust, i.e. to open up cultural opportunities in Luton for everyone. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

Mossman Collection

The Mossman Collection of restored and constructed horse-drawn vehicles was donated to the Council to be displayed at the Stockwood Discovery Centre. Many have been used in television productions and films. The Mossman Carriage Collection is the largest collection of its kind on display in the UK. It is reported in the Balance Sheet at insurance valuation, which is based on market values. The carriages are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation. The collection is static and no further acquisitions or donations are expected.

The Wenlok Jug

The Wenlok Jug is a rare example of metalwork that is believed to date from the 15th Century. The jug was purchased by the Council in 2006 following a successful fund raising campaign and is carried in the balance sheet at historic cost as there is insufficient evidence that its value has changed since its acquisition, this will be kept under review. The jug is deemed to have an indeterminate life and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Luton Museum Service Collections

The Council considers that obtaining valuations for the vast majority of items that are exhibited within the museums would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. Other than items with an insurance valuation, the Council does not recognise items on the Balance Sheet. Where items do have an insurance valuation, they are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

STATEMENT OF ACCOUNTING POLICIES

The Silver Room Collection

This collection consists of the Council's civic regalia and assorted items received by the Council as part of its civic role. The items are carried on the Balance Sheet at insurance valuation, which is based on market values. The items are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The collection is static and no further acquisitions or donations are expected.

Archaeological Site

The Council owns Waulud's Bank, a possible Neolithic henge earthwork enclosure. It is on the site of the springs that form the source of the River Lea. The Council does not consider that a reliable valuation can be placed on the site; therefore it is carried on the Balance Sheet at historic cost. As the site does not have any visible buildings on it, depreciation is not charged in accordance with the Council's policy on depreciating land.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.