Addendum Report to the Audit & Governance Committee

Report Reference: AGC-009a-2015/16
Date of Meeting: 21 September 2015

Portfolio: **Finance**

Subject: **Statutory Statement of Accounts 2014/15**

Responsible Officer: **Bob Palmer** **(01992 564279).**

Democratic Services: **Gary Woodhall** **(01992 564470).**

Recommendation:

(1) To consider the revised valuations for the Leisure Centres, as set out below.

Report:

Valuation of Council Leisure Centres

1. Due to being unable to verify the figures provided by the valuer who originally valued the Leisure Centres as referred to in the original report, it was necessary to instruct an external valuer to carry out a valuation of the four leisure centres.

2. The Council duly appointed Kemsley LLP property consultants to carry out this work which involved a full inspection of the Centres. The valuation basis is on Depreciated Replacement Cost (DRC) and therefore their work involved assessing each centres condition, age and expected remaining life.

3. We have now received their valuation report and this suggests the value of the Centres based on DRC is rather lower than was originally included in the accounts. As expected the report confirmed that both Loughton and Ongar leisure centres were generally in a good condition and had a reasonable life expectancy whereas both Epping and Waltham Abbey were in poorer condition and were much nearer the end of their useful life. The Council has also had condition surveys completed recently on the centres which support this view.

4. On reviewing the previous full valuation of the Centres back in 2010 it appears that the useful lives applied at that time may have been rather optimistic and on the assumption that these lives have reduced by five years in arriving at the 2015 valuation it is clear that with the exception of Loughton the other three centres remaining lives were substantially overstated. This therefore means their values were also overstated and in the case of Loughton, where the original error was made, this is quite significant.

5. The value originally shown in the Balance Sheet for the four Centres as at 31 March was £27.162m the revised figures calculated are £12.335m a reduction of £14.827m. This has therefore reduced the Balance sheet total by the same amount.

6. Accounting requirements mean that some of this reduction is shown in the Comprehensive Income and Expenditure Statement (CIES) and some directly charged to the Revaluation Reserve. An amount of £12.690m has been charged to the Revaluation Reserve and this represents the reduction from the original figure included in the statements to its value recorded at 1 April 2007 when the Revaluation Reserve was created. The remaining

£2.137m has been charged to the CIES as this represents the additional reduction beyond the 2007 values.

7. This adjustment affects a number of pages which have been reproduced for the Committee.