

Audit Committee

22 November 2012

Single Asset Register Phase 2



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Purpose of the Report

- 1 To provide an update on the second phase of the development of the Single Asset Register.

Background

- 2 At a meeting of this Committee held on 22 March 2012, Members were advised that work on phase 1 of the single asset register project was complete and that a report on phase 2 would be brought to a future meeting.
- 3 The Audit Commission's Annual Governance Report, reported to this Committee on 27 September 2012, noted that despite stretched resources "the financial statements were produced on time and to a much higher standard than last year". The report also noted that "Easington Council Dwellings records are held on a village basis and not on an individual asset basis", and recommended "the Council should look to migrate all three housing asset registers for council dwellings onto the IPF Asset Manager as soon as is practicable" (recommendation 3, high priority).
- 4 Completion of the asset register is identified as a key task in the Council Plan 2012-2016 (building a more streamlined corporate infrastructure).

Scope

- 5 Following completion of the 2011/12 financial statements, work can now progress on phase 2. Those assets not included in phase 1 are Council Dwellings, Vehicles Plant and Equipment, Intangible Assets and Infrastructure.
- 6 It is important to note the distinction between Council Dwellings and other Housing assets. Council Dwellings relate solely to the council's social housing stock, for example houses, flats and bungalows. Assets under other categories can be used in the provision of housing, for example some community facilities, housing offices and vehicles; and their costs are chargeable to the Housing Revenue Account (HRA). Where applicable, these assets were dealt with in phase 1 (i.e. housing offices were included in the

single asset register under Land and Buildings but HRA vehicles will be included at the Vehicles Plant and Equipment stage).

- 7 The following paragraphs set out the proposed prioritisation of the outstanding categories.
- 8 Of the remaining asset categories, Council Dwellings represent the largest balance sheet value (£479m at 31 March 2012, 25% of the Property Plant and Equipment value) and is the most complex to measure and account for. The three housing area registers (Easington, City of Durham and Wear Valley), are currently held separately. It is anticipated that migrating Council Dwellings to the AssetManager.NET system will generate the greatest benefits in terms of producing the financial statements on time and reducing risk of error associated with the current spreadsheet arrangement. In view of this and the Annual Governance Report recommendation, migration of Council Dwellings will be the highest priority.
- 9 In addition, some of the Council's garages are associated with the HRA and it is planned that these are migrated as part of phase 2.
- 10 Vehicles Plant and Equipment and Intangible Assets are lower value and simpler to measure and account for. The reduced complexity means that some work can progress in parallel with the Council Dwellings migration, but will be of lower priority.
- 11 Infrastructure assets are also more straightforward to account for. However, CIPFA has recently consulted on its proposal to require full adoption of the Transport Infrastructure Code measurement requirements from the 2014/15 financial year (including comparators for 2013/14). These requirements use the Depreciated Replacement Cost approach to valuation that provides the current cost of replacing an asset with its modern equivalent asset. It is proposed to defer the migration of Infrastructure assets from spreadsheets to the single asset register until the implications of this change can be evaluated, with the possibility that migration may be delayed to coincide with the implementation of the new requirements.

Work Plan

- 12 A work plan specifying each task has been prepared and attached at Appendix 2. The plan builds in tasks to ensure a full audit trail is completed, and will be reviewed regularly to assess progress, risks and issues. The proposed completion date is 15 February 2013.
- 13 Finance and Assets will work together to achieve this target, calling upon the expertise of the Housing Finance team and the valuer where appropriate.
- 14 It is proposed that each district is migrated separately, with a test followed by a live migration, as this approach worked successfully in phase 1.

Risks and Issues

- 15 Key risk and issues to consider as part of the project are:

- The need to ensure consistent treatment across the three housing districts. For example, Easington assets are currently summarised at village level in the asset register and need to be migrated at unit (house) level.
- Consideration needs to be given to componentisation and whether or not it is appropriate for Council Dwellings. The decision, which will be made in consultation with Housing Finance, will need to be assessed to see if it needs to be incorporated into the migration process or dealt with afterwards. Implementation will require input from the valuer.
- Even though there is a possibility that Large Scale Voluntary Transfer (LSVT) of the Council's remaining housing stock could go ahead in the future, the lead time means that there will still be several financial years to account for. It is also important that the housing data is as complete and up to date as possible for any LSVT process.
- The need to ensure that a complete audit trail is available for all adjustments made on conversion.

Recommendations and Reasons

- 16 Members are asked to note the prioritisation of phase 2 and to note the work plan in Appendix 2 which aims to complete the housing module of the single asset register by 15 February 2013.

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Appendix 1: Implications

Finance

None

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

None