

Audit Committee, 15 March 2017

Accounting treatment for works on 186 Kennington Park Road

Executive summary and recommendations

Introduction

The main contractor for the project to refurbish 186 Kennington Park Road has been selected. Work will begin in March and is due to complete in October. The total cost of the main contract is approximately £2.3m including VAT.

The work includes a mixture of repairs/replacements and improvements. The payments under the contract will need to be treated as either capital or revenue according to *IAS 16, Property Plant and Equipment*. Some elements of the work are clearly capital and some elements are clearly revenue, but some elements could arguably be either.

Since the issue is material and partly subjective, we have taken independent advice on the application of IAS 16 from Buzzacott LLP. Together with analysis of the cost from our quantity surveyors, the advice indicates that approximately one third of the expected contract value will be revenue and two thirds will be capital. We have applied that split in the budget for 2017-18. The actual treatment will be audited by the NAO within our accounts for 2017-18, and we will liaise with them to agree the treatment as part of their interim audits.

The contract will be disclosed in the 2016-17 accounts as a capital commitment.

Decision

Audit Committee is asked to note the accounting treatment for the works on 186 Kennington Park Road

Financial implication

Capital/revenue split of the contract in the 2017-18 budget and accounts

Resource implication

None

Date of paper

6 March 2017