

KIRKLEES COUNCIL

Operational Land and Buildings valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered Royal Institution of Chartered Surveyors (RICS) valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<ul style="list-style-type: none"> • Other land and buildings including surplus assets are valued as part of a 3-year rolling programme at fair value or depreciated replacement cost. • Community assets, vehicles, plant and equipment, infrastructure and assets under construction are valued at depreciated historical cost. • Intangibles are valued at amortised cost • The Council monitors the value of assets that have been revalued over the last 3 years, to ensure all assets have been revalued within this 3-year timeframe. • Valuers undertake an impairment review to ensure assets not valued haven't materially changed in value and that assets which have been valued, haven't changed in value between the date they were valued (usually December) and year end (31 March). • No changes are anticipated to these methods or models in 2022-2023
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Assumptions are selected by the valuer in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Management review these assumptions and challenge where necessary.</p> <p>No changes are anticipated in 2022-2023.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The list of assets to value come from the rolling programme from the Asset Register system. These are then reviewed by the interval valuer from the disposals and acquisitions team.</p> <p>Relevant plans are extracted from the Kompass system along with site areas and information from the asset management system K2.</p> <p>No changes were made to the source data in 2022-2023</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations. The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>

<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review.</p> <p>As the internal valuers are RICS registered valuers this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Formal sign off by all parties.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management use the valuers professional opinion on the valuation of each asset and do not select a point estimate to calculate fluctuations in other land and buildings values.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review. A range of possible outcomes is not considered as management use the valuers professional opinion on the factors used in the valuation.</p>

Council Dwellings valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered RICS valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>In terms of method, a beacon valuation approach is used. The dwellings are divided into asset groups (a collection of property with common characteristics such as sheltered housing). Asset groups are further subdivided into archetype groups based on uniting characteristics material to their valuation, such as numbers of bedrooms. The archetype groups are valued on the beacon principle. A sample property, "the beacon" is selected, which is representative of the archetype group, and a detailed inspection carried out. The beacon property is valued on an existing use-social housing basis. This valuation is defined as the 'Beacon Valuation'.</p> <p>Dwellings undergo a valuation every year, whereby 25% of beacons are inspected and valued per year. Over a 4 year period all the beacons for the full residential properties will have been inspected.</p> <p>No changes were made to the method in 2022-2023.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Assumptions used by the valuer are in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated in 2022-2023</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The housing data file is a living file that is adjusted for sales and additions each valuation & changes are flagged to the valuers. The base stock figures are reconciled back to the stock figures in the annual accounts, and these in turn are reconciled back to the universal housing system.</p> <p>Non housing assets on the HRA valuation are reconciled back to the central asset register for the HRA provided by central finance each year.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations queried and discussed with the valuers.</p>

<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review.</p> <p>As the internal valuers are RICS registered valuers this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Formal sign off by all parties.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management use the valuers professional opinion on the valuation of the Beacons and do not select a point estimate to calculate fluctuations in other land and buildings values.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review. A range of possible outcomes is not considered as management use the valuers professional opinion on the factors used in the valuation.</p>

Investment Properties valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered RICS valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Strategic Finance team with any significant variances from previous valuations or expectations queried and discussed with the valuers.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>Investment properties (including shops) are valued annually at fair value by qualified valuers if the value is greater than £250k. Those below this are valued as part of the 3 yearly rolling programme.</p> <p>Valuers undertake an impairment review to ensure that assets which have been valued haven't changed in value between the date they were valued (usually January) and year end (31 March).</p> <p>No changes are anticipated to these methods or models in 2022-2023.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Assumptions used by the valuer are in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>No changes are anticipated in 2022-2023.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The list of assets to value comes from the Asset Register system. These are then reviewed by the interval valuer from the disposals and acquisitions team.</p> <p>Relevant plans are extracted from the Kompass system along with site areas and information from the asset management system K2.</p> <p>No changes were made to the source data in 2022-2023.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations.</p> <p>The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As detailed in Q1, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review.</p> <p>As the internal valuers are RICS registered valuers this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Formal sign off by all parties.</p>

8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management use the valuers professional opinion on the valuation of each asset and do not select a point estimate to calculate fluctuations in other land and buildings values.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review. A range of possible outcomes is not considered as management use the valuers professional opinion on the factors used in the valuation

LGPS net liability valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the pension liability estimate is inaccurate and therefore the Financial Statements do not give a true and fair view.</p> <p>There is ongoing uncertainty on the global financial markets and market activity as a result of ongoing energy shortages, inflation and the war in Ukraine.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>The liability estimate is calculated by an actuarial expert, taking into account changes in retirement ages, mortality rates and discount rates.</p> <p>No changes are anticipated to this method or model in 2022-2023.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>The actuary selects the assumptions and management reviews the reasonableness of these assumptions.</p> <p>No changes are anticipated to this method or model in 2022-2023.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The Pension Fund provides data on pension benefits and membership numbers, to enable the actuary to undertake their estimate.</p> <p>No changes are anticipated to this method or model in 2022-2023.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>An actuary advises on the accounting estimates.</p> <p>The actuary is procured through a tender exercise</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Management review the assumptions and officers discuss these assumptions with the West Yorkshire Technical Accountants Group, comprising of five other authorities, to ensure a consistent view.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes. As detailed in Q6, in addition to management reviewing the assumptions, officers discuss these assumptions with the West Yorkshire Technical Accountants Group comprising of five other authorities, to ensure a consistent view</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The regional technical accountants group collectively discuss the underlying estimation techniques used as part of the calculation of assets and liabilities and question its reasonableness where appropriate with the actuary (via WYPF).</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The actuary provides sensitivity analysis for several assumptions including discount rate and life expectancy of scheme members</p>

Depreciation accounting estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There is a risk that the calculation of the annual depreciation is inaccurate, and the Statement of Accounts do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered Royal Institution of Chartered Surveyors (RICS) valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. The external valuer provide an updated valuation and a useful life of each asset. The depreciation is calculated on a straight- line basis over the life of the asset provided.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>The Council calculated depreciation on a simple straight-line bases which is identified as one of the methods used per the CIPFA Code of Practice.</p> <p>Once calculated the depreciation is reviewed by Central Finance to ensure all assets that need a depreciation charge have been calculated, and explanations are made if not. Central Finance also review sub totals by asset type to ensure comparative figures year on year are reasonable.</p> <p>No changes are anticipated in 2022-2023</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Assumptions on remaining lives are selected by the valuer in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Management review these assumptions and challenge where necessary.</p> <p>No changes are anticipated in 2022-2023.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The list of assets to charge depreciation come from the Asset Register system which is reconciled to the Balance Sheet.</p> <p>No changes are anticipated in 2022-2023.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The valuer advises on the accounting estimates used in the valuations. The valuer is sourced through a tender process.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>As mentioned in Q2, asset lives and depreciation figures are reviewed for reasonableness. Any significant changes in life are queried and discussed with valuers.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management use the valuers professional opinion on the valuation of each asset and life and do not select a point estimate to calculate fluctuations in other land and buildings values</p>

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Management calculate an amount that the annual depreciation charge would increase every year that the useful lives had reduced.
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PFI liability accounting estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The Waste PFI contract has been extended by two years beyond its original expiry date of 31/03/2023. The changes to the contract have been reviewed against the accounting model. In addition to the contract extension a number of other changes to the contract have been made which will increase the cost of fair value of services (e.g. the provision of new services). There is provision for capital expenditure to enhance the waste incinerator, but this is a direct charge to council by the contractor rather than an increase to the unitary payment (i.e. no increase to the PFI liability).
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	The accounting model is based on the requirements of the Code of Practice and accompanying Guidance Notes. The source information is the original contractor's model plus current information based on the annual unitary payment. No changes are anticipated to these methods or models in 2022-2023.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Assumptions are based on the original contractors' model and management's accounting model updated for current and known future changes. No changes are anticipated to these methods or models in 2022-2023.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Source data is based on the original contractors' model and current information e.g. annual unitary payments. No changes are anticipated to these methods or models in 2022-2023.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The accounting model and the basis on which all assumptions are made are reviewed on an annual basis. Changes to the Code of Practice are also reviewed for all relevant developments in relation to PFI accounting. In addition to this, specific changes to each of the individual contracts are monitored to ensure that their impact is reflected in the accounting model.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, compliance with the Code of Practice and ongoing monitoring of unitary payments.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	All factors affecting the accounting model are monitored – Code of Practice, the original contractors' model and annual unitary payments. A point estimate is not used.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The methods and assumptions rarely change between years, but all variable factors are monitored. Once these are agreed for the year, a range of possible outcomes is not considered.

Fair value disclosures accounting estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>There is a risk that valuations at fair value do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view.</p> <p>To mitigate this, valuations are carried out by external registered Royal Institution of Chartered Surveyors (RICS) valuers, in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>The Authority accounts for investment properties in accordance with IFRS13 which is achieved through a fair value hierarchy. The Fair Value of investment property has been established using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, data and market knowledge.</p> <p>Surplus assets and investment properties are valued as part of a 3-year rolling programme at fair value. Investment properties with a net book value greater than £250k are valued each year at highest and best use as per IFRS13.</p> <p>No changes are anticipated for 2022-2023.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Assumptions are selected by the valuer in accordance with RICS guidance and the Code of Practice on Local Authority Accounting. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to investment properties categorised as level 2 on the fair value hierarchy. Management review these assumptions and challenge where necessary.</p>

	No changes are anticipated in 2022-2023.
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>The list of assets to value come from the rolling programme from the Asset Register system, along with selected Investment Properties greater the £250k. These are then reviewed by the interval valuer from the disposals and acquisitions team.</p> <p>Relevant plans are extracted from the Kompass system along with site areas and information from the asset management system K2.</p> <p>No changes were made to the source data in 2022-2023.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The valuer advises on the accounting estimates used in the valuations. The valuer is sourced through a tender process.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	As detailed in Q1, the asset revaluations are critically reviewed by the Central Finance team with any significant variances from previous valuations or expectations, queried and discussed with the valuers.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Yes, valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.</p> <p>Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review.</p> <p>As the internal valuers are RICS registered valuers this extra scrutiny will help to ensure the robustness of figures included in the Statement of Accounts. Formal sign off by all parties.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management use the valuers professional opinion on the valuation of each asset and do not select a point estimate to calculate fluctuations in surplus or investment properties values.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Central Finance review the revaluations and assumptions along with internal valuers who also undertake a more in-depth review. A range of possible outcomes is not considered as management use the valuers professional opinion on the factors used in the valuation.