

Agenda Item 13

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

12 FEBRUARY 2014

REPORT OF HEAD OF CENTRAL SERVICES

CAPITALISATION OF SALARIES

1.0 PURPOSE OF THE REPORT

- 1.1 To update the Committee on the capitalisation of salaries and request the relevant supplementary estimates.

2.0 RECOMMENDATIONS

2.1 It is recommended that:-

- (a) The capitalisation of salaries be included in relevant business cases for future projects, and;
- (b) A supplementary estimate be approved for the capitalisation of salary costs for the Enterprise Document Management (EDM) System in 2013/14 from Capital Receipts subject to confirmation of requirements from our auditor, PriceWaterhouse Cooper (PWC).

3.0 KEY ISSUES

- 3.1 Under capital accounting guidance issued by CIPFA (Practitioners guide to capital finance in local government, 2012 edition) the council is permitted to charge as part of the cost of capital schemes any employee costs that are directly attributable to the creation or enhancement of an asset. The power has only previously been utilised within the Housing Revenue Account for housing inspection and capital works. However in order to apply the guidance consistently it is proposed that capitalisation is applied for all schemes where it can be properly demonstrated that related staff costs satisfy the conditions of directly attributable costs, principally that the asset would not be created or enhanced if those costs had not been incurred.
- 3.2 It is recommended that in 2013/14 the EDM system is considered for salary capitalisation of £20,970 being 60% of the Principal Systems Officer's time or the equivalent of 3 days per week. This to be funded under a supplementary estimate for the capital project from capital receipts. A response is awaited from our auditors PWC to ensure that the time recording systems required are not too onerous to the service providers and the recommendations above are subject to this response.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 Policy and corporate implications were addressed in setting the current year's budget. There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The financial implication to the council's revenue account will be that this capitalisation will result in an underspend which will be transferred to the corporate priorities reserve at the year end.

6.0 LEGAL IMPLICATIONS

- 6.1 Legal implications/powers were addressed in setting the current year's programme. There are no further legal implications arising from this report.

7.0 COMMUNITY SAFETY

- 7.1 There are no community safety issues arising from this report.

8.0 EQUALITIES

8.1 There are no equalities issues arising from this report.

9.0 RISKS

9.1 PWC require onerous reporting and funding has to be routed back through the revenue account after the audit.

10.0 CLIMATE CHANGE

10.1 There are no climate change issues arising from this report.

11.0 CONSULTATION

11.1 Consultation has taken place between project managers and the Accountancy Assistant – Community Services to determine the information.

12.0 WARDS AFFECTED

12.1 To varying degrees all wards are affected by capital schemes within this Committee

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Date: 27 January 2014

Appendices:

Background Papers:

Reference: X: Ctte,Council & SubCttes/PFA/2013-14/12-2-14/DG-Capitalisation of salaries.