

	PAPER NO: PC.03(12)
Committee:	Property Committee
Date:	29 February 2012
Subject:	Student Centre Impairment Review
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Executive Director of Finance
Recommendation by the Executive:	<p>It is recommended that the property committee note the principles underlying impairment reviews and the Executive opinion that no impairment will be required in respect of the Student Centre.</p> <p>While the Student Centre continues to deliver to agree service levels, no impairment is expected and LSBU will be able to justify the carrying value at estimated cost of £7.4m. Property Committee recommends that the Board approves the service criteria shown in point 5.</p>

Executive summary

1. Please see paper.

	Board/Committee	Date
Matter previously considered by:	Executive External Auditors	February 2012
Further approval required?	Board of Governors	March 2012

Communications – who should be made aware of the decision?	N/A
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Student Centre Project

1. The University is developing a new Student Centre in the undercroft of the existing Tower Block on Borough Road. The project will also improve the public realm at the base of the tower block. Investment in a Student Centre will bring together all non academic support and advice services into one location and provide a permanent space for the Student's Union to operate from.

Investment appraisal

2. The Capital cost of the planned development is £7.4m. In accordance with the University's accounting policies, this asset will be treated mainly as a refurbishment and will be depreciated over 15 years. This is consistent with the assumed 15 year life for the purpose of Net Present Value (NPV) calculations. The project generates a positive NPV assuming only a small increase in student numbers as a result of this investment.

Consideration of impairment

3. FRS11 deals with the impairment of fixed assets. For commercial entities the purpose of an impairment review is to ensure that fixed assets are recorded in the organisation's financial statements at no more than their recoverable amount, i.e. higher of the market value or value in use of the asset. However, market value is of no relevance unless the organisation is planning on selling or where there is no other way of valuing the asset.
4. Where the asset's main purpose is not the generation of revenue flows, as with the Student centre, impairment is assessed according to the service potential of the asset. Paragraph 20 of FRS11 states:

If a fixed asset is not held for the purpose of generating cash flows, for example certain fixed assets held for charitable purposes, it is not appropriate to measure the asset at an amount based on expected future cash flows. In such cases it may not be appropriate to write down the fixed asset to its recoverable amount – an alternative measure of its service potential may be more relevant.

5. The service criteria for the project will need to be approved by the board but will include:
 - Providing a central focus for student support within the University, mitigating current issues over problem solving and handling and the management of

- student issues around academic and non-academic support, finance and accommodation.
- Provision of vastly improved and additional spaces for students to relax whilst interacting and developing socially, in conjunction with the academic offer.
 - Integration of student support services into one centrally located area enabling more effective management of student issues, mitigating the likelihood of students failing simply through attrition or lack of engagement.
 - Increased access to a more public, outward facing and dynamic Employability Services in a central position.
 - Provision of a base for the Students' Union, enabling it to benefit from being in a building frequented by a large number of students representative of the whole student body, and their student council activities.

Future impairment review

6. It is anticipated that the costs and associated revenues of the Student Centre will turn out as planned in the NPV supporting the business case. But it is the service that the Centre will deliver that will be used to assess if impairment has occurred in the future and not cashflows. Provided the building continues to meet the agreed service criteria, no impairment will be required.
7. Advice from the University's auditors, Grant Thornton, has been sought and they agree with the approach described above. As part of their 2011/12 year end work and in future years, they will assess if the Student Centre is delivering the service (as agreed by the Board at prior to the Centre opening) and if it is, no impairment will be deemed to have occurred and therefore it will not be necessary to write down the value of the asset.

Approval by Board

8. It is recommended that the board should agree service criteria for the Student Centre is on as listed in point 5 above. It will be for the Board, on the advice of the Executive, to decide if these services are being delivered and therefore if it can support the carrying value of the asset, which is expected to be £7.4m.