

EXPOSURE DRAFT – PROPOSED CHANGES TO THE 2021/22 CODE

Measurement decision for an item of property, plant and equipment

Standard treatment

- 4.1.2.37** Where assets are revalued (ie the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.
- 4.1.2.38** The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and the revaluations are kept up to date. A short period for property, plant and equipment is interpreted to mean that assets are normally measured once every five years for each class of assets, provided that current value meets the requirements of paragraph 4.1.2.37. Valuations shall be carried out at intervals of no more than five years.
- 4.1.2.39** The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.

Optional temporary expedient (pause only option)

- 4.1.2.39A** As a temporary expedient to help alleviate problems with delays to publication of accounts and completion of audits, local authorities may elect to pause the revaluations of operational property, plant and equipment (ie those classes not measured at fair value or historical cost or those assets using the proxy for current value as specified in paragraph 4.1.2.32) as at 31 March 2021 for the 2021/22 financial year.
- 4.1.2.39B** Where the option in paragraph 4.1.2.39A is utilised, it must be clearly reported in the authority's significant accounting policies, with additional commentary in the disclosures to explain that assets are being measured precisely through carrying forward the values of property, plant and equipment assets described in paragraph 4.1.2.39A that are normally subject to revaluation, and that this differs from the previous accounting policy in that it is not intended to be an estimate of the account figure that would be achieved by applying full revaluations to all relevant property, plant and equipment assets.

Optional temporary expedient (pause and indexation option)

- 4.1.2.39A** As a temporary expedient to help alleviate problems with delays to publication of accounts and completion of audits, local authorities may elect to pause the revaluations of operational property, plant and equipment (ie those classes not measured at fair value or historical cost or those assets using the proxy for current value as specified in paragraph 4.1.2.32) as at 31 March 2021 for the 2021/22 financial year.
- 4.1.2.39B** A local authority may instead apply centrally determined indexation to all classes of property, plant and equipment referred to in paragraph 4.1.2.39A. This may impact on any local authority's standard process of rolling basis revaluations carried out by professional valuers
- 4.1.2.39C** Where the option in paragraph 4.1.2.39A is utilised, it must be clearly reported in the authority's significant accounting policies, with additional commentary in the disclosures to explain that assets are being measured precisely through indexation applied to property, plant and equipment assets described in paragraph 4.1.2.39A that are normally subject to revaluation, and that this differs from the previous accounting policy in that it is not intended to be an estimate of the account figure that would be achieved by applying full revaluations to all relevant property, plant and equipment assets.