Infrastructure Assets – Webinar
26 May 2022

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Webinar content

1. What is the issue?
2. Task and finish group
3. Deliberations
4. Temporary solution
5. Guidance
6. Forward look
Infrastructure Assets - Background

Issues:

• 1994 initial recognition at undischarged capital balances – 28 years old
• Transfer balances of historical cost
• Gross historical cost
• Accumulated depreciation
• No/infrequent derecognition
• Implicit network
• Are balances there to derecognise?
• Usefulness of information
A task and finish group has been established

Will look to finding the solution which is practical, and which isn’t at a cost which outweighs the benefits to the user of accounts

The Code may need to confirm in more detail how this would best apply to local authority infrastructure assets (particularly transport)

A Bulletin will be provided to provide practical guidance for getting to a realistic and practical position
Deliberations

Inalienable asset

Number of options:
- Status quo
- Amnesty
- Resets

Information deficits

Unintended consequences
The Group proposed three solutions to CIPFA LASAAC:

- **Adaptation for derecognition** of parts of the network where replacement expenditure takes place.
- **Adaptation for disclosure** of gross historical cost and accumulated depreciation.
- **Interpretation guidance** on how depreciation might be reported for infrastructure assets.
Derecognition

Adaptation – carrying amount of a replaced or restored part of the asset is derecognised at zero amount

- **Fits the economic model** – not had sufficient resources to do anything other than undertake replacement
- **Works for surfacing**
  - Similar to approach suggested on the move to current value in 2015 but this is more authoritative
  - Allows for instances where depreciation policies may not have been as effective as necessary
  - Should allow authorities accounts to move forward
Depreciation

Effective depreciation policy needed for proper reporting and to support the derecognition approach

<p>| Large use of straight-line approaches - need to be supported by evidence | Weighted average approaches take account of whole network | Local authorities need to decide which is most appropriate |</p>
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<th>Disclosure</th>
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<td>Without derecognition – gross book value and accumulated depreciation balances increase</td>
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<td>Historical information deficits a problem</td>
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<td>Adapt IAS 16 Property, Plant and Equipment to remove disclosure of gross book value and accumulated depreciation</td>
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<td>Require a separate portion of the property, plant and equipment note for infrastructure assets</td>
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Guidance – Draft CIPFA Bulletin 12, Infrastructure Assets: Covers

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Guidance – specific matters for comment

Missing areas?

Examples?

Work with information systems?

Will be issued imminently
Looking forward

- Examine further the task and finish group proposals
- Revisit current value as an option
- Consider new options identified in consultation responses
- Code of Practice on the Highways Network Asset

Other infrastructure assets. Do similar problems arise?
Next steps

Issue consultation 12 May 2022

Outreach (webinar, discussions with stakeholders)

Consultation concludes 14 June 2022

CIPFA LASAAC consider outcomes 15 June 2022

FRAB Meeting 30 June 2022

Issue updated Code beginning July 2022
Questions
Any feedback for CIPFA LASAAC?