









Infrastructure Assets – Update Report CIPFA LASAAC CL 06 03 23

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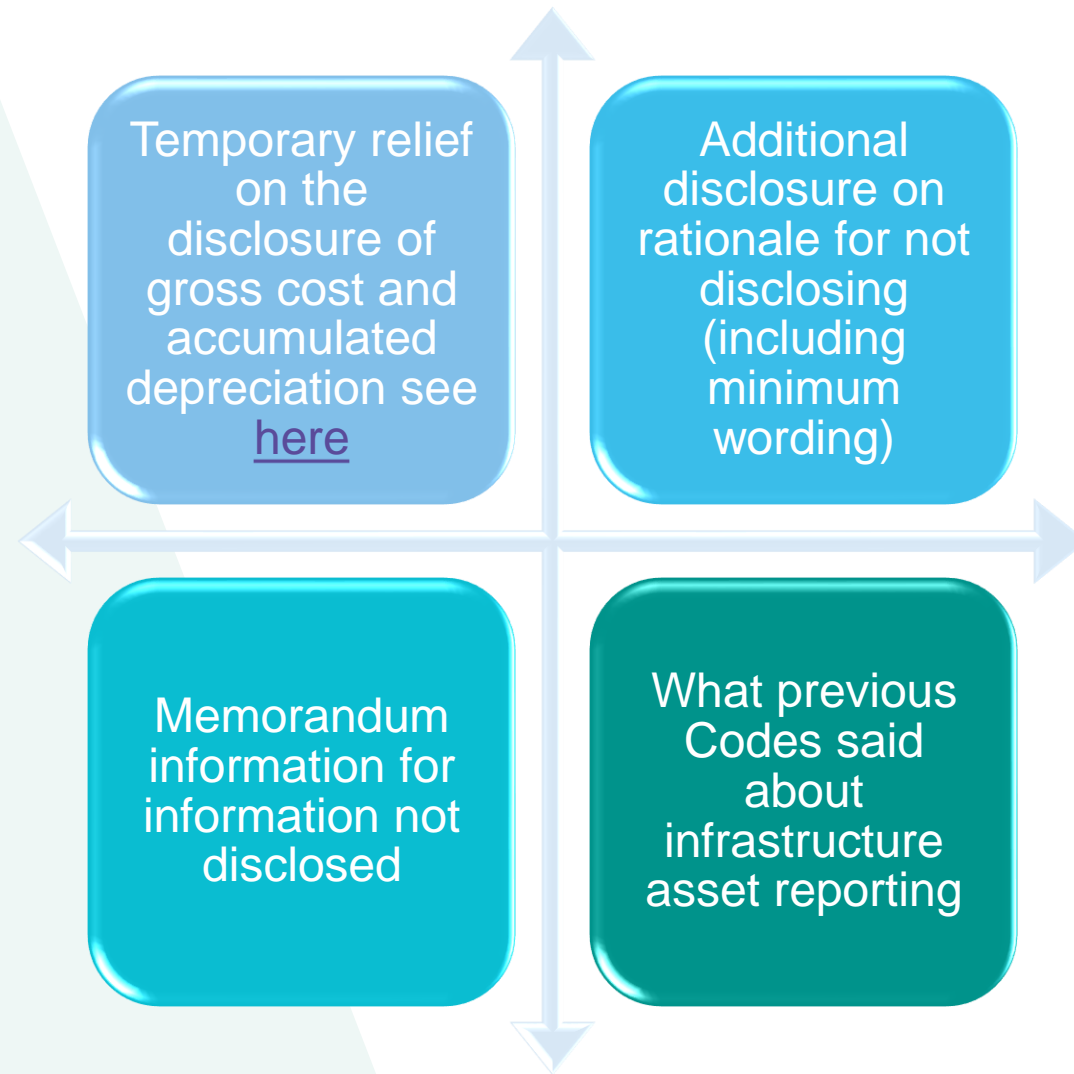
Acting Head of Standard Setting

March 2023

Covering

-  Brief Recap –Temporary Solution
-  Issues arising
-  Options considered for longer-term solution
-  Views on Depreciated Replacement Cost
-  Impact assessment – survey (base-line)
-  Trigger point project plan

Update to the Code and Specifications for Future Codes



Summary of the mechanisms available for the temporary solution for the reporting of infrastructure assets

	The Reporting (Disclosure) of Gross Cost and Accumulated Depreciation	The Accounting Transaction to Derecognise Replaced Components
Scotland	Statutory override 1 permits local authorities in Scotland not to disclose gross cost and accumulated depreciation. Statutory override 1 applies for accounting periods commencing from 1 April 2021 until 31 March 2024.	Statutory override 2 allows the carrying amount of the replaced part to be derecognised as nil for local authorities in Scotland. Statutory override 2 applies for accounting periods commencing from 1 April 2010 until 31 March 2024.
England	This is covered by the Update to the Code which applies from the 1 April 2021 until 31 March 2025 (but will also apply to local authorities where an audit opinion has not been given).	The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – new regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (ie either a nil amount or to follow the Code). New regulation 30M applies to statements of accounts for financial years beginning on or before 1st April 2024, and to those statements of accounts which have not already been certified by a local auditor.
Wales	This is covered by the Update to the Code which applies from the 1 April 2021 until 31 March 2025 (but will also apply to local authorities where an audit opinion has not been given).	The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2022 provide that where a local authority replaces a component of an infrastructure asset, it must either determine that the replaced component has a value of nil and therefore that there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component, or it must account for the carrying amount in accordance with the accounting practice in the Code. These regulations apply to all local authority statements of accounts from the year beginning 1 April 2021 up to and including statements of accounts produced for the financial year ending 31 March 2025.

CIPFA Bulletin

12 Areas covered

Guidance on materiality, with a particular focus on the potential effect on the decisions or assessments of users of the accounts

Overview of different elements of the temporary solution – they are slightly different across the jurisdictions, though they have the same affect

Set out the accounting requirements for derecognition including the statutory prescription

The impact on accounting policies – including an example accounting policy

The reporting requirements for disclosure of gross cost and accumulated depreciation

Depreciation – pattern of consumption

The Bulletin applies the definition of depreciation ie local authorities would need to use a method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed

Use of a weighted average likely to be necessary

The methodologies set out in Bulletin 12 present illustrations of how weighted averages might be calculated. Authorities may be able to devise alternative approaches that will satisfy Code requirements for local conditions and their own circumstances and must use an approach which best reflects the consumption of economic benefits or service potential for its local circumstances. **The guidance in the Bulletin therefore cannot be prescriptive**

Examples in the Annex using estimations of both Gross Book Value and/or Net Book Value – note the examples **are purely illustrative**

Examples include the use of a multiplier

Depreciation is an estimate – it cannot be a precise measurement – alternatives to the various suggestions in the Bulletin may be used provided it results in a reasonable estimate of benefits/potential consumed by use of the assets and may better represent the consumption of economic benefits and service potential

Use of reasonable rates – exceptional approach

Are there other issues arising

Coastal defences

Lack of information

Still working way through?

Member feedback



Longer-term solution – emanating from the consultation process



Option 1: Maintain the temporary solution – not supported by CIPFA, CIPFA LASAAC and FRAB



Option 2: 'Deemed cost' approach



Option 3: Move to Depreciated Replacement Cost Measurement - tentative

Issues from Consultation – DRC Measurement



Move to DRC – Communications Plan

Need to win over hearts and minds

Move to DRC will be difficult

Local authorities do not perceive benefits

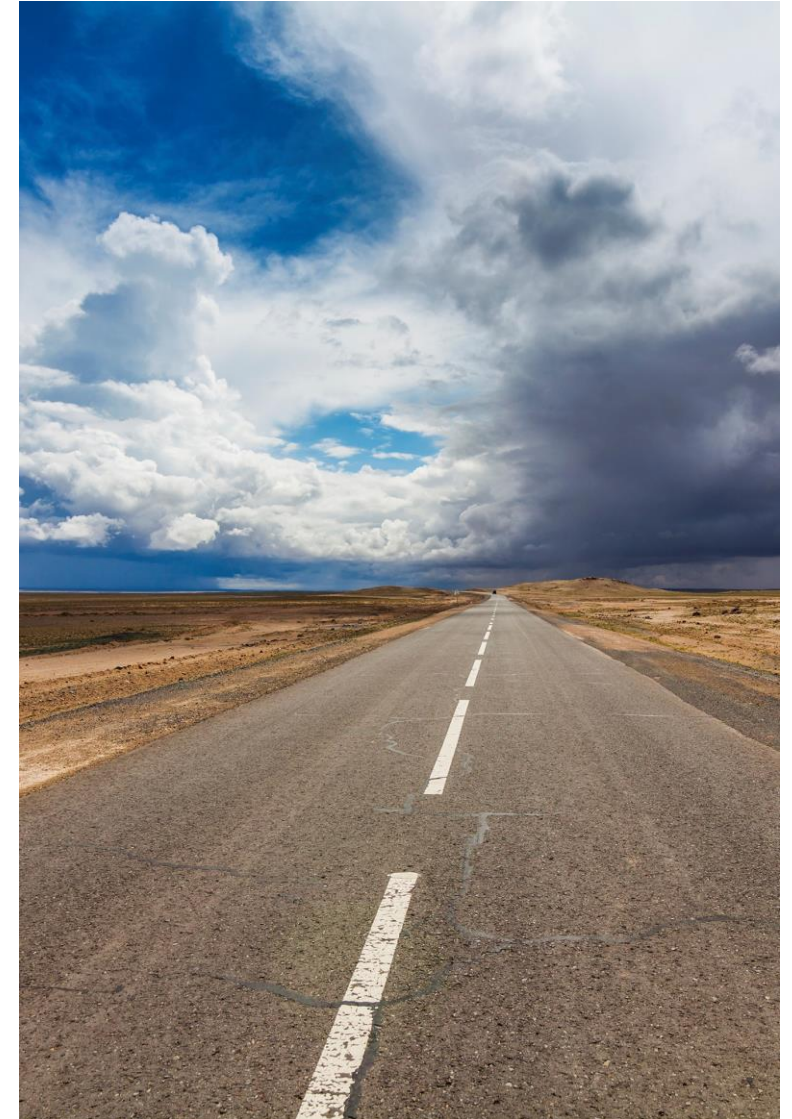
It will be resource intensive

Need to understand impact

Links to HM Treasury

Thematic Review

Holding a webinar 21 March
2023 15:00 to 16:00



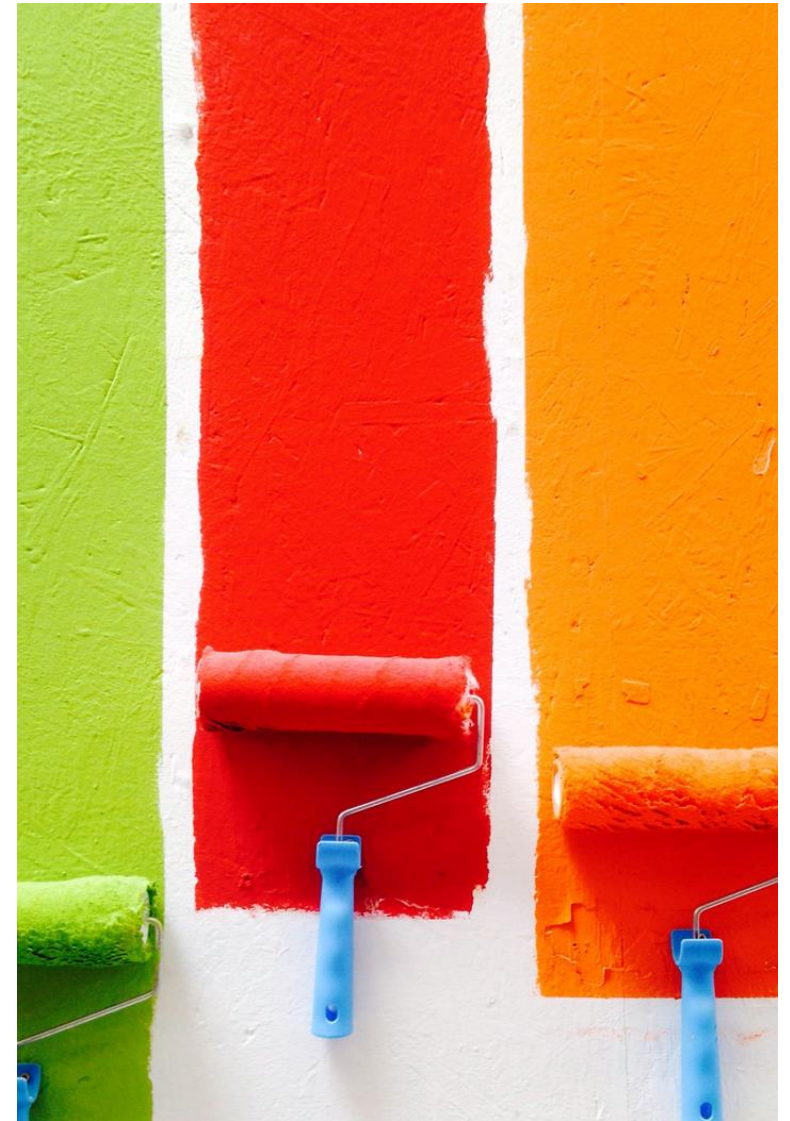
Survey to Assess Impact

Impact

Resource
issues

Readiness

First base-line



CIPFA Bulletin 14 – Project Plan

Preparation for way forward

To follow the webinar

Project plan with trigger points

Stakeholders

Simplifications

Impact Assessment