

CHAPTER FOUR

Non-current assets

4.11 HIGHWAYS NETWORK ASSET¹

4.11.1 Introduction

- 4.11.1** Authorities shall account for the Highways Network Asset in accordance with IAS 16 *Property, Plant and Equipment*, except where adaptations and interpretations to fit the public sector are detailed in the Code.
- 4.11.2** IPSAS 17 *Property, Plant and Equipment* is based on IAS 16, and introduces no additional accounting requirements, although it provides additional guidance for public sector bodies, ie the basis for determining fair value (now described in the Code as current value) and introducing the concept of 'service potential'.
- 4.11.3** This section of the Code only covers property, plant and equipment classified as the Highways Network Asset. The Highways Network Asset has the same meaning as transport infrastructure assets described in the CIPFA *Code of Practice on Transport Infrastructure Assets*. The Highways Network Asset is accounted for in accordance with Section 4.1 of the Code subject to the specific requirements of this section of the Code.
- 4.11.4** Components of the Highways Network Asset classified as finance leases under section 4.2 of the Code (also see IAS 17) shall follow section 4.2 in terms of recognition; however, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed in this section. Similarly, components of the Highways Network Asset acquired under service concession arrangement (PFI/PPP) schemes shall follow section 4.3 of the Code in terms of recognition, but subsequent measurement requirements of the Highways Network Asset held under service concession arrangements including depreciation are prescribed in this section.

Adaptations and Interpretations for the public sector context

- 4.11.3** Recognition and measurement
- The Highways Network Asset shall be measured at depreciated replacement cost under the methodologies specified in the CIPFA *Code of Practice on Transport Infrastructure Assets*; the option given in IAS 16 to

¹ Exposure Draft footnote only: this section of the Code is wholly new and therefore has not been presented in tracked change format to improve the readability of the changes.

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measure the carrying amount of this class of assets at historical cost has been withdrawn.

- Annual Depreciation shall be interpreted as being measured in accordance with the specifications for each part of the network as provided in the CIPFA *Code of Practice on Transport Infrastructure Assets*.
- For the Highways Network Asset the option in IAS 16 for the treatment of accumulated depreciation and impairment where accumulated depreciation and impairment are eliminated on revaluation is withdrawn.

4.11.2 Accounting Requirements

Definitions

4.11.2.1 The **Highways Network Asset** is a grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use. It has the same meaning as the class of assets within the scope of the CIPFA *Code of Practice on Transport Infrastructure Assets* and includes:

- Carriageways – including urban roads and rural roads.
- Footways and cycletracks (attached to the carriageway or segregated) – including footways, pedestrian areas, footpaths and cycle tracks. Note that “segregated” footways and cycletracks should only be included where they form part of an authority’s highways network.
- Structures – including bridges (span greater than 1.5 m), cantilever road signs, chambers, cellars, vaults, culverts (span greater than 0.9 m), high mast lighting columns (height greater than 20m), retaining walls (height greater than 1.35m), structural earthworks, subway: pipe, tunnels enclosed length of 150 m or more), underpass/subway: pedestrian (span of 1.5m or more), underpass: vehicular and any special structure.
- Street Lighting – including lighting columns, lighting unit attached to a wall or wooden pole, heritage columns, illuminated bollards and illuminated traffic lights.
- Street furniture – for transport highways or amenity (examples include non-illuminated traffic signs, safety fences, bollards, bus shelters, cattle grids trees and tree protection).
- Traffic Management Systems – including traffic signals, pedestrian signals, zebra crossings, in station, information systems and safety cameras.
- Land – including freehold and rights land.

Infrastructure assets not included in the classification descriptions above are not part of the Highways Network Asset and would remain to be

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reported with other infrastructure assets in property, plant and equipment. More description of the Highways Network Asset is included in table 4.1 of the CIPFA *Code of Practice on Transport Infrastructure Assets*.

Recognition

- 4.11.22 The Highways Network Asset includes those components that fall within the scope of the *Code of Practice on Transport Infrastructure Assets* as defined in paragraph 4.11.2.1.
- 4.11.23 The Highways Network Asset shall be recognised in accordance with the definition of an asset in paragraph 2.1.2.23 of this Code and in accordance with the recognition criteria in paragraph 4.1.2.18. The Highways Network Asset shall follow the recognition requirements for property, plant and equipment unless otherwise specified in paragraphs 4.11.2.4 to 4.11.2.7 below.
- 4.11.24 Subsequent expenditure on the Highways Network Asset will be capitalised where it adds to or replaces the economic benefits or the service potential in the asset. Spending that does not replace or add to the economic benefit or service potential of the asset shall be charged as expenditure in the year that it is incurred.
- 4.11.26 The Highways Network Asset shall be treated as a single asset for financial reporting purposes.
- 4.11.27 The Highways Network Asset shall be reported as a separate class of assets on the face of the balance sheet.

Measurement

- 4.11.28 The Highways Network Asset shall be measured at Depreciated Replacement Cost in accordance with the methodologies specified in the CIPFA *Code of Practice on Transport Infrastructure Assets*.
- 4.11.29 The Highways Network Asset will be subject to valuations in accordance with the requirements of paragraphs 4.1.2.33 to 4.1.2.47 except as is detailed in paragraphs 4.11.2.10 to 4.11.2.12 below.
- 4.11.210 The Depreciated Replacement Cost measurements of the Highways Network Asset in accordance with 4.11.2.8 above shall be updated by suitable indices in accordance with the *Code of Practice on Transport Infrastructure Assets*.
- 4.11.211 Annual depreciation of the Highways Network Asset shall be measured in accordance with the requirements for each component/category identified in the CIPFA *Code of Practice on Transport Infrastructure Assets*.
- 4.11.212 The Highways Network Asset shall be carried at a revalued amount, being its revalued amount at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When the Highways Network Asset is revalued, the carrying amount of that asset is adjusted to the revalued amount. When the Highways Network Asset is revalued, any accumulated depreciation and

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impairment at the date of valuation shall follow the option in IAS 16 where the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Impairment

4.11.2.13 The Highways Network Asset shall be subject to the provisions of section 4.7 of this Code.

Derecognition

4.11.2.14 Derecognition of components of the Highways Network Asset shall follow the requirements for property, plant and equipment. In addition, the cost of the replacement component shall be used as a proxy for the carrying amount of the component replaced for derecognition purposes. If authorities have more detailed information on the gross replacement cost or accumulated depreciation relating to the components to be derecognised, they may use it. Authorities shall assume that the asset has reached the end of its useful life and/or has been fully utilised. This assumption may be rebutted if the authority has evidence that there is a measureable carrying value remaining for the component.

Transition

4.11.2.15 The change in the measurement requirements for the Highways Network Asset shall be treated as a change in accounting policy from 1 April 2016 and in accordance with section 3.3 of the Code shall be treated as requiring full retrospective restatement.

4.11.2.16 When estimating the historical cost attributable for the Highways Network Asset on 1 April 2015 in accordance with the requirements of section 3.3 of the Code local authorities may use any reasonable estimation process to split the depreciated historical cost of the original infrastructure class of assets between the residual infrastructure assets and the Highways Network Asset.

4.11.3 Statutory Accounting Requirements

4.11.3.1 The statutory accounting requirements set out in sections 2.3, 4.1, and 4.7 of the Code apply equally to the Highways Network Asset as to other assets.

4.11.4 Disclosure Requirements

4.11.4.1 Disclosure of accounting policies in relation the Highways Network Asset is required (see section 3.4 of the Code). An authority shall disclose information within these accounting policies that helps users to understand the valuation

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techniques used to develop the Depreciated Replacement Cost measurements of the Highways Network Asset.

4.11.42 Having regard to paragraph 3.4.2.27 of the Presentation of Financial Statements section of the Code, which permits authorities not to provide a specific disclosure if information is not material, authorities shall disclose the following notes in relation to the Highways Network Asset:

- 1) The financial statements shall disclose, for the Highways Network Asset:
 - a) the measurement base used for determining the gross carrying amount
 - b) the depreciation methods used
 - c) the useful lives or the depreciation rates used
 - d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and
 - e) a reconciliation of the carrying amount at the beginning and end of the period showing:
 - i) additions
 - ii) any components classified as held for sale or included in a disposal group classified as held for sale in accordance with section 4.9 of the Code and other disposals, if applicable
 - iii) increases or decreases resulting from revaluations under section 4.1 and 4.11 of the Code and from impairment losses recognised or reversed in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve in accordance with section 4.7 of the Code
 - iv) impairment losses recognised in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
 - v) impairment losses reversed in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
 - vi) depreciation, and
 - vii) other changes.
- 2) The financial statements shall also disclose the amount of contractual commitments for the acquisition of components of the Highways Network Asset.
- 3) In accordance with section 3.3 of the Code, an authority discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For the Highways Network Asset, such disclosure may arise from changes in estimates with respect to:
 - a) residual values

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- b) the estimated costs of dismantling, removing or restoring components of the Highways Network Asset
 - c) useful lives, and
 - d) depreciation methods.
- 4) The following shall be disclosed:
- a) the effective date of the revaluation; and
 - b) the methods and significant assumptions applied in estimating the components' current values.
- 5) A summary of capital expenditure during the reporting period, including any parts of the Highways Network Asset acquired under finance leases, together with the sources of finance and capital financing requirement. This note may be combined with the equivalent note for property, plant and equipment.

4.11.4.2 In the unlikely case that the Highways Network Asset is classified as a surplus assets or non-current asset held for sale these assets should be disclosed in accordance with the requirements of sections 4.1 and 4.9 of the Code.

4.11.5 Statutory Disclosure Requirements

4.11.5.1 There are no statutory disclosures required in relation to the Highways Network Asset.

4.11.6 Changes since the 2015/16 Code

4.11.6.1 The 2016/17 Code introduces the new measurement requirements for the Highways Network Asset based on the methodology in the CIPFA *Code of Practice on Transport Infrastructure assets*.

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 Introduction

- 4.1.1 Authorities shall account for property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment*, except where adaptations to fit the public sector are detailed in the Code.
- 4.1.2 IPSAS 17 *Property, Plant and Equipment* is based on IAS 16, and introduces no additional accounting requirements, although it provides additional guidance for public sector bodies, ie the basis for determining fair value (now described in the Code as current value) and introducing the concept of 'service potential'.
- 4.1.3 This section of the Code does not cover property, plant and equipment classified as Non-current Assets Held for Sale and Discontinued Operations in accordance with section 4.9 of the Code (also see IFRS 5). IAS 16 also refers to other areas where the standard does not apply; however, these areas may not be common, if relevant at all, within authorities, ie exploration for and evaluation of mineral resources. Authorities should refer to IAS 16 for these areas. Tangible heritage assets are accounted for in accordance with this section of the Code subject to the specific requirements of section 4.10 of the Code. The Highways Network Asset is accounted for in accordance with this section of the Code subject to the specific requirements of section 4.11 of the Code.
- 4.1.4 Property, plant and equipment classified as finance leases under section 4.2 of the Code (also see IAS 17) shall follow section 4.2 in terms of recognition; however, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed in this section. Similarly, property, plant and equipment acquired under service concession arrangement (PFI/PPP) schemes shall follow section 4.3 of the Code in terms of recognition, but subsequent measurement requirements for property, plant and equipment held under service concession arrangements including depreciation are prescribed in this section.
- 4.1.5 The section of the Code does not apply to investment property (including investment property under construction) classified under section 4.4 of the Code (also see IAS 40).

Adaptation and interpretation for the public sector context

- 4.1.6 The following adaptations and interpretation of IAS 16 for the public sector context apply.

Recognition and measurement

- Infrastructure (except for the Highways Network Asset), community assets (except for community assets where the valuation option has been adopted, in accordance with section 4.10 of the Code) and assets under construction (excluding investment property – see section 4.4 of the Code) shall be

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measured at historical cost; the option given in IAS 16 to measure the carrying amount of these classes of assets at fair value has been withdrawn. ~~For 2015/16, i~~Infrastructure or community assets (except for community assets where the valuation option has been adopted, in accordance with section 4.10 of the Code) shall also not be measured at current value.

- All other classes of asset shall be measured at current value (or in the case of heritage assets, valuation, in accordance with 4.10 of the Code). If there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold, authorities may need to estimate current value using a depreciated replacement cost approach. The current value of council dwellings shall be measured using existing use value—social housing (EUV—SH).
- Where an asset is not held for the purpose of generating cash flows, *value in use* is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.
- An authority shall not implement the requirements of the Code in relation to accounting for the depreciation of significant components of an asset and the derecognition of old components and recognition of new components retrospectively. These requirements shall be applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010.
- For the avoidance of doubt, a 'short period' for the revaluation of a class of assets is interpreted to mean that assets are normally revalued once every five years for each class of assets, provided that carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.
- For property, plant and equipment within this section of the Code (ie excluding the Highways Network Asset) the option in IAS 16 for the treatment of accumulated depreciation and impairment where the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset is withdrawn.

Definitions

- For this section of the Code, current value (for land and buildings) is to be interpreted as the amount that would be exchanged for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKVS 1.3 of the RICS *Valuation – Professional Standards*.

4.1.2 Accounting Requirements

Definitions

4.1.21 **Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

4.1.22 **Class of property, plant and equipment** is a grouping of assets of a similar nature and use in an authority's operations. The following classes of property, plant and equipment are used in the Code:

Operational assets

- Council dwellings (ie dwellings within the Housing Revenue Account).
- Other land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets (inalienable assets, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use; examples include ~~highways, structural maintenance of highways, footpaths, bridges, permanent ways~~, coastal defences, water supply and drainage systems). Infrastructure assets no longer include highways network asset².
- Community assets (ie assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal). The definition of community assets no longer includes items that are now accounted for as heritage assets.

Non-operational assets

- Surplus assets (ie assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties under section 4.4 of the Code or non-current assets held for sale under section 4.9 of the Code).
- Assets under construction.

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Measurement after recognition

4.1.230 Infrastructure assets and assets under construction (excluding investment property – see section 4.4 of the Code) shall be measured at depreciated historical cost. An authority may measure community assets at either valuation (in accordance with section 4.10 of the Code) or historical cost.

² The Highways Network Asset has the same meaning as those assets described within the Code of Practice on Transport Infrastructure Assets ie transport infrastructure assets.

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4.1.231 All other classes of asset shall be measured at current value. For operational assets where there is an active market, this shall be existing use value in accordance with the RICS definitions. If there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold, authorities may need to estimate current value using a DRC approach. The current value of council dwellings shall be measured using EUV–SH. EUV–SH and DRC are methods of valuation that are based on current value with additional special assumptions for each of the respective methods. Surplus assets shall be measured at fair value. The Highways Network Asset shall be measured in accordance with section 4.11 of the Code.

4.1.232 Authorities may elect to adopt a depreciated historical cost basis as a proxy for current value for non-property assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for current value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class.

4.1.233 Classes of assets whose current value can be measured reliably shall be carried at a revalued amount, being its current value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount³. When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the assets and the net amount restated to the revalued amount of the asset. See section 4.11 for the treatment of accumulated depreciation and impairment for the highways network asset.

~~be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset, or~~

~~where authorities choose to use the alternative method, be proportionately restated at the date of valuation (where authorities choose this method, they should refer to IAS 16).~~

³ Exposure Draft footnote only, this is a minor drafting improvement and emanates from IAS 16, paragraph 35.

Measurement Decision for an Item of Property, Plant and Equipment

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Depreciation

- 4.1.240 Land and buildings are separate assets and shall be accounted for separately, even when they are acquired together. Depreciation applies to all property, plant and equipment, whether held at historical cost or revalued amount, with two exceptions:
- land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, ie quarries and landfill sites), and
 - heritage and community assets that have an indefinite life.
- 4.1.241 An asset shall not be depreciated until it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of:
- the date that the asset is classified as held for sale in accordance with section 4.9 of the Code (also see IFRS 5), and
 - the date the asset is derecognised.
- 4.1.242 The only other ground for not charging depreciation is when the residual value of an asset is equal to or greater than the asset's carrying amount. Repairs and maintenance do not remove the need to depreciate an asset.
- 4.1.243 Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods. The requirement for componentisation for depreciation purposes shall be applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010.
- 4.1.244 The depreciation charge shall be based on the depreciable amount allocated over the useful life of the asset, using a depreciation method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be

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consumed.

- 4.1.245 The depreciation charge for each period shall be recognised in Surplus or Deficit on the Provision of Services unless it is included in the carrying amount of another asset. General Fund service revenue accounts, central support services departments or directorates, and trading accounts and the Housing Revenue Account (~~as defined in CIPFA's Service Reporting Code of Practice~~) shall be charged with depreciation.
- 4.1.246 The residual value, useful life and depreciation method shall be reviewed at least at each financial year end and, if expectations differ from previous estimates in relation to residual value and/or useful life and/or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the changes shall be accounted for as a change in an accounting estimate (as opposed to a change in accounting policy) in accordance with chapter three of the Code (also see IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). The requirement to review the residual value, useful life and depreciation method at least at each financial year shall be in addition to the valuations at intervals of no more than five years (see paragraphs 4.1.2.37 to 4.1.2.38).
- 4.1.247 To determine whether an item of property, plant and equipment is impaired, local authorities shall refer to section 4.7 of the Code (also see IAS 36 *Impairment of Assets*).

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Transition

- ~~4.1.255 The changes in measurement base to fair value for surplus assets shall be applied prospectively from 1 April 2015.~~

4.1.3 Statutory Accounting Requirements

General Fund – depreciation

- 4.1.31 Depreciation charged to Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.
- 4.1.32 On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.

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Housing Revenue Account – depreciation

- 4.1.3.3 The Housing Revenue Account Income and Expenditure Statement shall be charged with depreciation.
- 4.1.3.4 On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.
- 4.1.3.5 **England:** Depreciation is not a proper charge to the General Fund. However, for HRA non-dwellings, depreciation charged to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account in England shall be charged in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.
- 4.1.3.6 To ensure compliance with the Accounts and Audit Regulations and *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012* requirements for the Major Repairs Reserve, depreciation for HRA dwellings charged to the Housing Revenue Account is subject to statutory provisions designed to specify the impact on the HRA (see part 2 of Appendix B for the legislative basis). The following entries are required or permitted in respect of the Major Repairs Reserve:
- The Major Repairs Reserve shall be credited, and Housing Revenue Account balances debited, with an amount equal to the depreciation charged to the HRA in accordance with this Code. This transfer is required to meet the requirements of the Accounts and Audit (England) Regulations 2011 (Regulation 7(5)(a)). In order to neutralise the impact on the HRA of this entry, a corresponding transfer is also required where Housing Revenue Account balances are credited and the Capital Adjustment Account is debited. Both these transfers shall be reported in the Movement in Reserves Statement.
 - Where depreciation charges for HRA dwellings are greater than the notional Major Repairs Allowance (MRA), an amount equal to the difference is permitted to be transferred to the Housing Revenue Account from the Major Repairs Reserve and reported in the Movement in Reserves Statement. (Note that this transfer is permitted on a transitional basis as specified by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.)
 - A debit to the HRA equal to the amount that has been credited to the HRA for decent homes backlog funding and a corresponding credit to the Major Repairs Reserve in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.
 - Where an authority funds capital expenditure on dwellings from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be

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reported in the Movement in Reserves Statement.

- Where repayments of principal of any amounts borrowed, or repayments to meet any liability in respect of credit arrangements (other than any liability which, in accordance with proper practices, must be charged to a revenue account), are to be funded from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- An authority is permitted by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012* to make an additional voluntary credit transfer to the Major Repairs Reserve for an amount 'in excess of any charge for depreciation to its Major Repairs Reserve'.

4.1.3.7 Scotland: Depreciation for HRA dwellings and non-dwellings charged to Surplus or Deficit on the Provision of Services are not proper charges to the Housing Revenue Account (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement and replaced with HRA loans fund principal, via a transfer from the Capital Adjustment Account.

4.1.3.8 Wales: Depreciation for HRA dwellings and non-dwellings charged to Surplus or Deficit on the Provision of Services are not proper charges to the Housing Revenue Account (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement and replaced with HRA Minimum Revenue Provision, via transfer.

Revaluation gains or losses

4.1.3.9 The General Fund and Housing Revenue Account (~~as defined in CIPFA's Service Reporting Code of Practice~~) shall be charged in certain instances with revaluation gains or losses in accordance with this section of the Code.

4.1.3.10 Revaluation gains or losses charged to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Gains or losses on derecognition

4.1.3.11 Net gains or losses on derecognition shall be charged to other operating expenditure.

4.1.3.12 The gain or loss is not a proper charge to the General Fund or Housing Revenue Account (see part 2 of Appendix B for the legislative basis). As a result the General Fund or Housing Revenue Account should be debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on

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disposal of the asset (net of any disposal costs), with the double entries being:

- a credit to the Capital Receipts Reserve or (in Scotland) a statutory capital fund of an amount equal to the disposal proceeds (subject to paragraph 4.1.2.52)
- a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal (less any balance transferred from the Donated Assets Account).

4.1.3.13 If the asset derecognised was carried at a revalued amount an additional entry is required; the balance on the Revaluation Reserve in respect of asset derecognised is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

4.1.3.14 In England and Wales only, the proportion that is required to be paid over to central government as a 'housing pooled capital receipt' should be charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance and reported in the Movement in Reserves Statement.

Minimum Revenue Provision and Loans Fund Charges

4.1.3.15 Minimum Revenue Provision (England, Northern Ireland and Wales) and Loans Fund Charges (Scotland) are proper charges to the General Fund, but do not appear in the Comprehensive Income and Expenditure Statement. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision or Loans Fund Charges to be charged to the General Fund for the year are set out in the appropriate regulations and statutory guidance (see part 2 of Appendix B for the legislative basis).

4.1.4 Disclosure Requirements

4.1.4.1 Where authorities conclude that following the requirements of this section of the Code results in accounting entries that are immaterial, authorities need not follow this section of the Code and include the de minimis level within the disclosure of accounting policies (see section 3.4 of the Code).

4.1.4.2 Disclosure of accounting policies in relation to property, plant and equipment is required (see section 3.4 of the Code). An authority shall disclose information within these accounting policies that helps users to understand the valuation techniques used to develop the current value measurements for significant categories of property, plant and equipment.

4.1.4.3 Having regard to paragraph 3.4.2.26 of the Presentation of Financial Statements section of the Code, which permits authorities not to provide a specific disclosure if information is not material, authorities shall disclose the following notes in relation to property, plant and equipment and transport infrastructure assets:

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- 1) The financial statements shall disclose, for each class of property, plant and equipment and transport infrastructure assets:
 - a) the measurement bases used for determining the gross carrying amount
 - b) the depreciation methods used
 - c) the useful lives or the depreciation rates used
 - d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and
 - e) a reconciliation of the carrying amount at the beginning and end of the period showing:
 - i) additions
 - ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with section 4.9 of the Code and other disposals
 - iii) increases or decreases resulting from revaluations under section 4.1 of the Code and from impairment losses recognised or reversed in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve in accordance with section 4.7 of the Code
 - iv) impairment losses recognised in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
 - v) impairment losses reversed in Surplus or Deficit on the Provision of Services in accordance with section 4.7 of the Code
 - vi) depreciation, and
 - vii) other changes.
- 2) The financial statements shall also disclose the amount of contractual commitments for the acquisition of property, plant and equipment and transport infrastructure assets.
- 3) In accordance with section 3.3 of the Code, an authority discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment and transport infrastructure assets, such disclosure may arise from changes in estimates with respect to:
 - a) residual values
 - b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment
 - c) useful lives, and
 - d) depreciation methods.
- 4) If items of property, plant and equipment are stated at revalued amounts, the

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following shall be disclosed:

- a) the effective date of the revaluation
 - b) whether an in-house or external valuer was involved, and
 - c) the methods and significant assumptions applied in estimating the items' current values.
- 5) As Summary of capital expenditure during the reporting period, including assets acquired under finance leases, analysed for each category of fixed assets, together with the sources of finance and capital financing requirement. This disclosure may be combined with the same disclosure for the Highways Network Asset.

4.1.4.4 Paragraph 4.1.2.2 of the Code sets out the classes of property, plant and equipment used in the Code, ie council dwellings, other land and buildings, vehicles, plant, furniture and equipment, infrastructure assets (now excluding the Highways Network Asset), community assets, assets under construction and surplus assets (those assets that are surplus to service needs but that do not meet the criteria to be classified as either investment property or assets held for sale). Authorities shall disclose the information set out in paragraph 4.1.4.3 on this basis.

4.1.4.5 An authority may elect (but is not required) to make disclosures in respect of community assets in accordance with section 4.10 of the Code (Heritage Assets) rather than in accordance with this section of the Code. An authority may elect (but is not required) to separately disclose those community assets reported in the Balance Sheet that it holds on trust. As property, plant and equipment items, the disclosures in paragraphs 4.1.4.1 to 4.1.4.4 apply to surplus assets. However, as surplus assets are measured at fair value, the disclosures in section 2.10 will apply to surplus assets, where relevant, and subject to the materiality judgements of the authority.

4.1.5 Statutory Disclosure Requirements

4.1.5.1 There are no statutory disclosures required in relation to property, plant and equipment.

4.1.6 Changes since the ~~2014~~2015/15-16 Code

4.1.6.1 The ~~2015~~2016/16-17 Code ~~clarifies the current adaptation of the measurement requirements for property, plant and equipment following the adoption of IFRS 13 and has introduced the concept of current value. Current value in this section of the Code includes four measurement bases. Note that this new definition of current value means that the measurement requirements for property, plant and equipment providing service potential for an authority have not changed from the 2014/15 Code. The 2015/16 Code has changed the measurement requirements for assets classified as surplus assets. These assets are now to be measured at fair value in accordance with the definition in IFRS 13 and without any adaptations~~

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to that definition introduces the new measurement requirements for the Highways Network Asset in Section 4.11. The property, plant and equipment section of the Code includes consequential amendments for the definitions, measurement and disclosure provisions.

4.1.62 The 2015/16/2016/17 Code introduces an interpretation to clarify what a short period means for the measurement of a class of assets for local authorities includes clarifications on the treatment of accumulated depreciation and impairment following consideration of the Annual Improvements 2010 to 2012.

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