



# Infrastructure Assets – Webinar

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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

## Task and finish group



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A task and finish group has been established



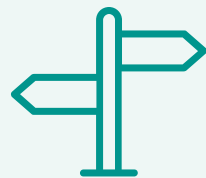
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Will look to finding the solution which is practical, and which isn't at a cost which outweighs the benefits to the user of accounts



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



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

# Deliberations



Inalienable asset



Information deficits



Number of options:  
Status quo  
Amnesty  
Resets



Unintended  
consequences

## Temporary solutions

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

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



## Disclosure



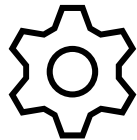
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Without derecognition – gross book value and accumulated depreciation balances increase



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Historical information deficits a problem



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Adapt IAS 16 Property, Plant and Equipment to remove disclosure of gross book value and accumulated depreciation



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Require a separate portion of the property, plant and equipment note for infrastructure assets

# Guidance – Draft CIPFA Bulletin 12, Infrastructure Assets: Covers

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Background

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Materiality

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Derecognition

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Accounting Policy

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Depreciation

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Disclosure



## Guidance – specific matters for comment

Missing areas?

Examples?

Work with information systems?

Will be issued imminently

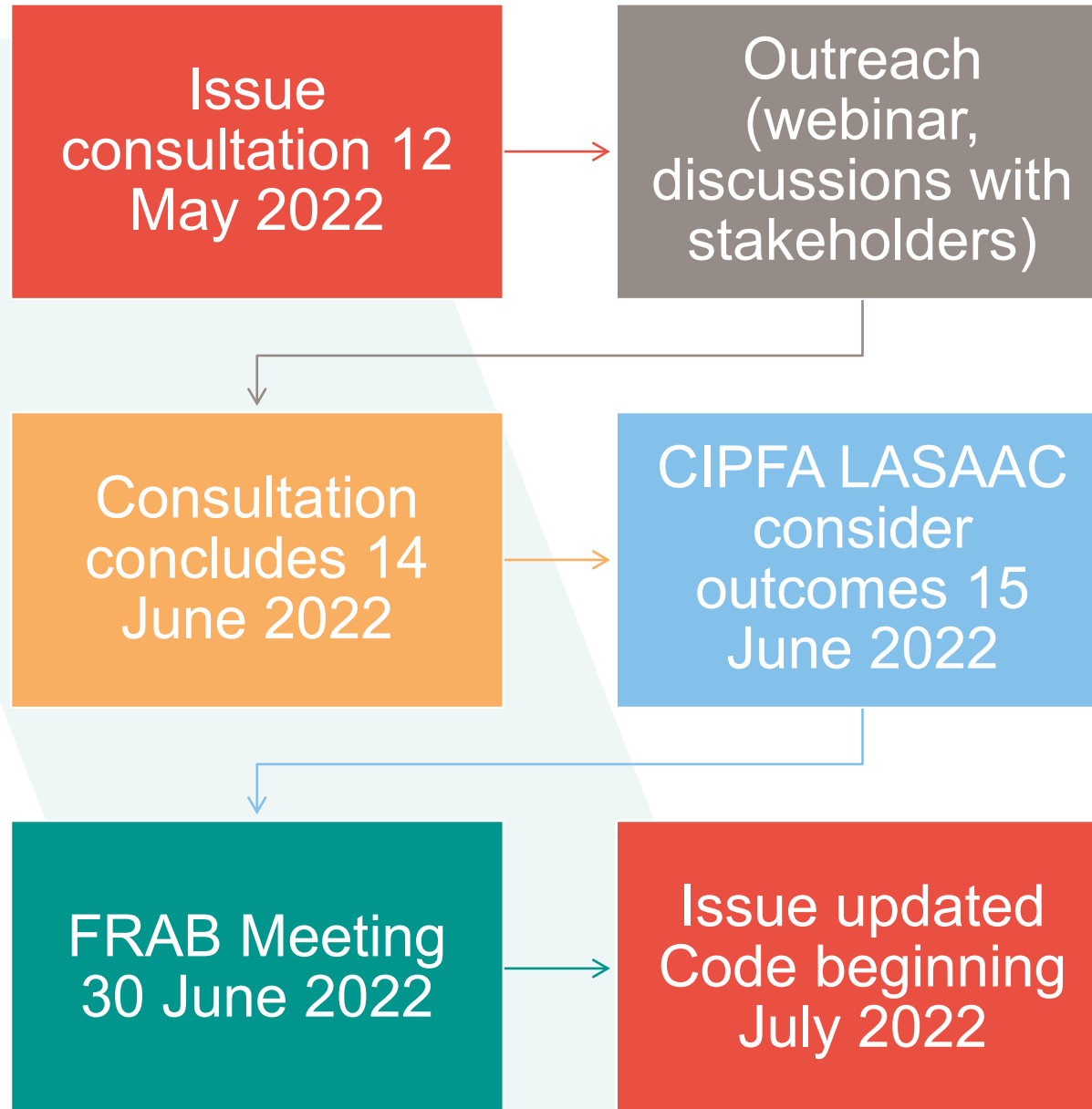
## Looking forward

- ✓ 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



# Questions



Any feedback for  
CIPFA LASAAC?

