

Fair value

2.1.2.26 The concept of fair value is used throughout the Code. International Financial Reporting Standards do not have a consistent definition of fair value; different definitions apply in different circumstances. In some cases, the Code interprets fair value to reflect service potential. To assist practitioners, the Code's provisions regarding fair value are summarised below.

Circumstance	Fair Value
Revenue recognition; this is the general definition that applies unless a more specific definition applies.	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Property, plant and equipment	Fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. The fair value of council dwellings shall be measured using existing use value–social housing (EUV–SH).
Leases	Fair value will follow the appropriate class of property, plant and equipment, or intangible assets.
PFI and PPP arrangements	On initial recognition, fair value is the cost to purchase the asset. Subsequently, fair value will follow the appropriate class of property, plant and equipment, or intangible assets.
Investment Property	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. For this section of the Code, fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use, ie market value. The fair value of investment property held under a lease is the lease interest.
Intangible assets	IAS 38 allows an intangible asset to be carried at a revalued amount only where its fair value can be determined by reference to an active market. Where there is no active market, assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.
Non-current assets held for sale	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. For this section of the Code, fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use, ie market value.

Circumstance	Fair Value
	Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value.
Heritage Assets	<u>Where a market for the heritage asset exists, fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction (ie market value).</u> <u>Where no market for the heritage asset exists, fair value is the replacement cost of the asset. In some cases it may not be practicable to establish a fair value for a heritage asset.</u>
Inventories	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Debtors	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Financial instruments	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Usually the best evidence of the fair value is the transaction price (ie the consideration) and unless the transaction was not at arm's-length this should be the value used. However, if the transaction is not based on market terms, a valuation technique shall be used to determine the appropriate fair value for initial recognition of the instrument.
Creditors	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

2.3.2.2 Donated assets are assets (including heritage assets) transferred at nil value or acquired at less than fair value.

2.3.2.13 After initial recognition, donated assets shall be re-valued and depreciated in line with section 4.1 of the Code (also see IAS 16 *Property, Plant and Equipment*) or section 4.10 of the Code (also see FRS 30 Heritage Assets) and impaired in line with section 4.7 of the Code (also see IAS 36 *Impairment of Assets*).

3.4.2.53 As a minimum, the Balance Sheet shall include line items that present the following amounts:

- a) property, plant and equipment
- b) heritage assets

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e) investment property	Deleted: b
d) intangible assets (including goodwill for group accounts only)	Deleted: c
e) assets held for sale	Deleted: d
i) long-term investments (including net pensions asset)	Deleted: e
g) investments in associates and joint ventures (in Scotland where an authority has negative balances in respect of individual associates, eg police and fire boards, the authority shall include any such associates with a net negative balance in a separate 'liabilities in associates' line)	Deleted: f
h) long-term debtors	Deleted: g
j) deferred tax asset (group accounts only)	Deleted: h
j) long-term assets (sub-total)	Deleted: i
k) short-term investments	Deleted: j
j) inventories	Deleted: k
m) short-term debtors	Deleted: l
n) cash and cash equivalents	Deleted: m
o) assets held for sale	Deleted: n
p) current tax asset (group accounts only)	Deleted: o) provisions¶
q) current assets (sub-total)	
r) bank overdraft	
s) short-term borrowing	
t) short-term creditors	
u) provisions	
v) liabilities in disposal groups	Deleted: u
w) current tax liability (group accounts only)	Deleted: v
x) current liabilities (sub-total)	Deleted: w
y) long-term creditors	Deleted: x
z) provisions	Deleted: y
aa) long-term borrowing	Formatted: Default Paragraph Font
ab) other long-term liabilities (comprising net pensions liability, deferred liabilities and any other long-term liabilities)	Deleted: z
ac) Donated Assets Account	Deleted: a
ad) Capital Grants Receipts in Advance	Deleted: b
ae) deferred tax liability (group accounts only)	Deleted: c
af) long-term liabilities (sub-total)	Deleted: d
ag) net assets (total)	Deleted: e
ah) usable reserves	Deleted: f
ai) unusable reserves (including group reserves where appropriate)	Deleted: g
	Deleted: h

a) total reserves (total).

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3.4.2.79 The summary of significant accounting policies shall include the following items where they have a significant effect on the amounts recognised in the financial statements:

- a) accruals of expenditure and income
- b) acquired operations
- c) Area Based Grant (England only)
- d) back pay arising from unequal pay claims
- e) Business Improvement District schemes (England, Scotland and Wales)
- f) cash and cash equivalents
- g) contingent assets
- h) contingent liabilities
- i) discontinued operations
- j) employee benefits
- k) events after the Balance Sheet date
- l) exceptional items and prior period adjustments
- m) financial instruments
- n) foreign currency translation
- o) government grants and other contributions

p) heritage assets

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q) intangible assets

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r) inventories and long-term contracts

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s) investment property

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t) landfill allowances schemes

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u) leases (separate policies required for operating and finance leases)

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v) non-current assets held for sale

Deleted: t

w) overheads

Deleted: u

x) PFI schemes

Deleted: v

y) property, plant and equipment

Deleted: w

z) provisions

Deleted: x

aa) reserves

Deleted: y

ab) revenue expenditure funded from capital under statute, and

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ac) Value Added Tax.

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Deleted: b

4.1.1.3 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.

4.1.2.2 Class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity'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 and drainage)
- 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. Unlike heritage assets, community assets are not preserved in trust for future generations because of their cultural, environmental or historical associations; instead they are held primarily for current use. Examples include parks (excluding archaeological sites), cemeteries and crematoria (land only) and allotments where there are restrictions on alternative uses). The definition of community assets no longer includes items that are now accounted for as heritage assets. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art (see section 4.10 of the Code).

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

4.5.1.3 This section of the Code does not cover financial assets (see chapter seven), intangible assets held for sale in the ordinary course of business (see chapter five), leases (see section 4.2 of the Code), assets arising from employee benefits (see chapter six) or non-current assets classified as held for sale (see section 4.9 of the Code). Intangible 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.](#)

4.7.1.3 This section of the Code does not cover impairment of assets in relation to employee benefits (see chapter six), financial instruments (see chapter seven), investment property (see section 4.4 of the Code), insurance contracts (see Appendix A, paragraph A.1.7, non-current assets classified as held for sale (see section 4.9 of the Code), inventories (see section 5.1 of the Code) and construction contracts (see section 5.2 of the Code).

[Impairment of heritage assets is accounted for in accordance with this section of the Code subject to the specific requirements of section 4.10 of the Code.](#)

PART 2 – LEGISLATIVE BASIS FOR STATUTORY ACCOUNTING SECTIONS OF THE CODE

Chapter/section	England and Wales	Scotland	Northern Ireland
4.10 Heritage assets	Heritage assets are accounted for under sections 2.3, 4.1, 4.5 and 4.7 of the Code, and the relevant legislative provisions apply	Heritage assets are accounted for under sections 2.3, 4.1, 4.5 and 4.7 of the Code, and the relevant legislative provisions apply	Heritage assets are accounted for under sections 2.3, 4.1, 4.5 and 4.7 of the Code, and the relevant legislative provisions apply
