

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 Introduction

Adaptation and interpretation for the public sector context

4.1.1.6 The following adaptations of IAS 16 for the public sector context apply.

Recognition and measurement:

- Infrastructure, community assets (except 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 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cost; the option given in IAS 16 to measure the carrying amount of these classes of assets at fair value has been withdrawn.
- All other classes of asset shall be measured at fair 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 fair value because of the specialist nature of the asset and the asset is rarely sold, authorities may need to estimate fair value using a depreciated replacement cost approach. The fair 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.
- Community schools’ and community special schools’ land and buildings in England and Wales shall be recognised as non-current assets in accordance with the measurement requirements of this section of the Code. Voluntary controlled, voluntary aided and foundation schools and foundation special schools land and buildings shall not be recognised as non-current assets of the local authority¹. This interpretation shall be applied retrospectively to the 2011/12 financial statements.

4.1.6 Changes since the 2010/11 Code

4.1.6.1 Additional guidance on the classes of property, plant and equipment to be disclosed

¹ Community, community special schools, voluntary controlled, voluntary aided foundation schools and foundation special schools have the same meaning as that given by the Schools Standards and Framework Act 1998

has been included.

4.1.6.2 The Code now permits (but does not require) authorities to measure community assets at valuation and to make disclosures as if community assets were heritage assets. Authorities may therefore choose to use the same accounting base for community assets and heritage assets.

4.1.6.3 The statutory accounting requirements in respect of the HRA and Major Repairs Reserve have been clarified.

4.1.6.4 The 2011/12 Code (and the 2012/13 Code) includes an interpretation of the recognition criteria for non-current schools assets (land and buildings). It requires that local authorities recognise community and community special schools' land and buildings as non-current assets of the authority. It sets out that voluntary aided, voluntary controlled, foundation schools and foundation special schools' land and buildings are not non-current assets of the authority.