

21 July 2022**Agenda Item: 7****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****INFRASTRUCTURE ASSETS REPORTING ISSUES****Purpose of the Report**

1. To inform Members of the issues surrounding the accounting treatment of infrastructure assets.
2. Seek approval to delegate authority to the Section 151 Officer to approve amendments to the accounting policies for 2021/22 relating to infrastructure assets.

Information

3. In March 2022, the CIPFA / LASAAC Local Authority Code Board became aware of issues which arose in early March relating to the reporting of infrastructure assets. These issues have led to the delay in signing off a number of 2020/21 Local Authority audits.
4. Infrastructure assets are inalienable assets which means that expenditure on them is only recoverable by continued use of the asset created (i.e. there is no prospect of sale or alternative use). Examples of infrastructure assets include carriageways, bridges, street lighting, street furniture and traffic management systems.
5. The issues raised by auditors relate to subsequent expenditure on infrastructure assets and specifically whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be derecognised when any subsequent expenditure is added. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation.
6. The issues arise principally because of a lack information availability relating to these assets and the difficulty of generating information which is decision useful for infrastructure assets and meets the needs of accounting standards.
7. In an effort to temporarily resolve the issue the CIPFA / LASAAC Local Authority Code Board have undertaken an urgent consultation on temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. A Task and Finish Group has also been established to assist with the resolution of this issue and to consider the consequences of proposals.

8. This issue is a complex, technical accounting issue. A temporary solution has been proposed with changes to the Code, including proposals to:-
- a. Confirm the accounting consequences of derecognition i.e. that the effect on the carrying amount is nil (on the presumption that replaced parts are fully depreciated)
 - b. Temporarily adapt the code to remove the reporting requirements for gross historical cost and accumulated depreciation
 - c. Provide extra guidance on how depreciation may be applied for infrastructure assets
9. Once the confirmation of Code amendments have been announced, this temporary solution will require there to be amendments to the Accounting Policies 2021/22 that were approved at Governance and Ethics Committee in April 2022. It is proposed that delegated authority is given to the Section 151 Officer to approve these amendments.

Other Options Considered

10. The accounting policies will need to be amended in line with further guidance from CIPFA / LASAAC to ensure that Nottinghamshire County Council's 2021/22 Statement of Accounts are in compliance with the CIPFA Code of Practice on Local Authority Accounting.

Reason/s for Recommendation/s

11. To ensure that the Authority's Statement of Accounts for 2021/22 are produced in line with the CIPFA Code of Practice on Local Authority Accounting

Statutory and Policy Implications

12. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

13. There are no financial implications arising from this report.

RECOMMENDATION/S

- 1) That Members note the issues surrounding the accounting treatment of infrastructure assets.
- 2) That authority to approve amendments to the accounting policies for 2021/22 regarding infrastructure assets be delegated to the Section 151 Officer in line with the updated Code of Practice on Local Authority Accounting in the United Kingdom.

Nigel Stevenson
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For any enquiries about this report please contact:

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Constitutional Comments (12/07/2022 GR)

14. Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report and make the recommendations contained within this report.

Financial Comments (17/06/2022 GB)

15. The financial implications are set out in the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All