

Heritage Assets – The story so far

1 Heritage Assets – recent developments

- 1.1 The new SORP, applicable from 1 April 2005, adopted the term heritage assets and permits a mixed approach to valuation. Newly acquired heritage assets should be initially measured and recognised at cost. Previously acquired heritage assets, where these have not been previously valued, need not be valued if a reliable valuation is impractical or the costs of valuation outweigh the benefits. The SORP permits those charities holding historic assets which do not meet the heritage definition, for example ancient Cathedrals, to opt not to value these assets where valuation is impractical. The 2005 SORP notes that inalienability is of itself no bar to valuation. SORP 2000 had previously permitted 'inalienable and historic' assets not to be recognised on the balance sheet, where these had not been previously valued, and obtaining a reliable valuation was impractical or the costs of valuation outweighed the benefits.
- 1.2 At the inaugural meeting of the new SORP Committee in November 2006 it was noted that the current approach was based on FRS15 Tangible Fixed Assets. In January 2006 ASB had issued the consultation paper: Heritage Assets: Can Accounting do Better? This paper proposed a practicability test with additional disclosure where assets were not valued. This approach provided for valuing all or none of the heritage assets as a separate class on the balance sheet. The consultation paper was broadly welcomed by the sector as a pragmatic solution. A draft standard FRED40 followed in December 2006 but with a modified approach.
- 1.3 The ASB consultation on FRED40 advocated that practicality should be assessed for individual collections rather than for an entity's total holding of heritage assets.
- 1.4 On 30 March 2007 the SORP Committee convened a heritage assets roundtable to discuss FRED40 'Accounting for Heritage assets' with the sector so as to inform the SORP Committee's response to the ASB consultation on FRED40.
- 1.5 The Committee submitted a response on 20 April 2007 to FRED40 noting that the previous consultation document was a better solution and doubted the collection based approach was workable. The Committee supported enhanced narrative disclosures but noted a lack of clarity about the impact on historic places of worship.

Heritage Assets – The story so far

- 1.6 The ASB responded to the consultation on FRED40 with a fresh consultation in June 2008 FRED42 Heritage Assets, which advocated retaining the capitalisation of heritage assets on the basis of FRS15 and dropped the collection by collection basis and retained enhanced narrative disclosure, including a 5 year summary of transactions, including acquisitions and disposals. The practicality test was dropped.
- 1.7 The Committee submitted a response to FRED42 on 1 October 2008 noting that the retention of FRS15 based approach would disappoint to the sector and noted a lack of clarity about the impact on historic places of worship.
- 1.8 The ASB has confirmed that a new accounting standard, the first not-for profit standard, would be issued in 2009 based on FRED42. Essentially the standard supports the current SORP approach but requires some additional disclosures, particularly the 5 year summary of transactions in heritage assets. There remains a lack of clarity about the impact on historic places of worship.