CHARITY COMMISSION

SORP information sheet 3

Financial Reporting Standard 30: heritage assets

1. Background

1.1 The Charity Commission and the Office of the Scottish Charity Regulator, the joint SORP making body, are required by the Accounting Standards Board's (ASB) code of practice to keep the SORP under review.

1.2 As part of its work, the SORP Committee may issue Information Sheets which seek to clarify the application of the SORP or particular recommendations contained within the SORP. Information Sheets do not amend the SORP and are advisory in nature and are released to assist preparers and auditors of accounts in applying the SORP recommendations.

1.3 In June 2009 the ASB published their new Financial Reporting Standard 30: Heritage Assets. The standard applies for accounting periods beginning on or after 1st April 2010, though early adoption is encouraged. The standard also contains an appendix with a number of examples illustrating the application of the standard.

1.4 The primary purpose of the new standard is to provide a framework for the recognition, valuation and disclosure of heritage assets. The standard applies to charities and although the basic recognition and valuation principles are the same as those in the SORP, the purpose of this Information Sheet is to identify the additional disclosures that are required by the standard.

1.5 The SORP Committee has considered FRS 30 and compared it to the SORP's recommendations for the accounting treatment for heritage assets contained paragraphs 279 to 294 of the SORP. The SORP Committee concluded that there are no fundamental issues of principle arising as a result of the new standard which require a revision to the SORP at this stage. However, it was felt that the additional disclosures the standard requires need to be outlined to avoid any ambiguity in their interpretation or application. As explained in paragraphs 61 to 64 of the SORP charities should follow accounting standards.

1.6 It should be noted that Information Sheets do not form part of the SORP, nor are they reviewed by the ASB, and therefore do not carry the authority of SORP.

2. Index of topics

3. Recognition and valuation

3.1 SORP 2005 in common with the standard follows the underlying principle of FRS15 that all tangible fixed assets should be capitalised. Where information is available on the cost or value of heritage assets this should be presented in the balance sheet separately from other tangible fixed assets. Like the SORP, the standard recognises that in some cases valuation may not be practicable.

3.2 The definition of heritage assets within the SORP captures those tangible fixed assets which are of historical, artistic or scientific importance that are held to advance preservation and conservation objectives of a charity or where the heritage assets are integral to a broader objective of educating the public in history, the arts or science as in the case of museums and galleries. FRS 30 defines heritage assets as those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. It follows that a charity holding tangible fixed assets that fall within the SORP's definition of heritage assets will also fall within the definition of heritage assets provided by FRS 30 and vice versa.

3.3 FRS 30, in Appendix 1, explains that works of art and historic assets not maintained for their contribution to knowledge and culture are excluded from the definition of heritage assets. This approach is consistent with paragraph 289 of the SORP which provides examples of historic and artistic assets which should be excluded because they are not held to meet preservation and conservation, or ancillary educational objectives.

3.4 The standard provides for valuations to be made by any method that is appropriate and relevant. This would permit internal valuation by appropriately qualified people such as the curator, expert or trustee with expert knowledge. The SORP already provides for new heritage assets (those acquired since SORP 2000 came into effect requiring the recognition of new acquisitions of historic assets from 1 January 2001) to be valued at cost or the value of the donation provided. In the absence of reliable cost information, the charity may use such techniques as appropriate to value the asset or if the asset cannot be reasonably valued then treat it as a disclosure item only.

4. Impairment and depreciation

4.1 Depreciation need not be provided on heritage assets which have indefinite lives.

4.2 The Standard requires that the carrying amount of an asset should be reviewed where there is evidence of impairment, for example where it has suffered physical deterioration or breakage or doubts have arisen as to it authenticity. In common with a charge for depreciation, any charge for impairment should be made to the SoFA against the relevant category of activities.

5. Disclosure

5.1 SORP already provides for disclosure relating to heritage assets including a narrative that enables user to appreciate the nature, scale, and age of the heritage assets. The standard requires the following additional disclosures:

- The financial statements should set out the entity's policy for the acquisition, preservation, management and disposal of heritage assets. This should include a description of the records maintained by the entity of its collection of heritage assets and information on the extent to which access to the assets is permitted.

- Where heritage assets are reported in the balance sheet, the following should be disclosed:

  (i) the carrying amount of heritage assets at the beginning of the financial period and at the balance sheet date, including an analysis between those classes or groups of heritage assets that are reported at cost and those that are reported at valuation; and

  (ii) where assets are reported at valuation, sufficient information to assist in an understanding of the valuations being reported and their significance. This should include:

  (a) the date of the valuation;

  (b) the methods used to produce the valuation;

  (c) whether the valuation was carried out by external valuers and, where this is the case, the valuer's name and professional qualification, if any; and

  (d) any significant limitations on the valuation.

- Information that is available to the entity and is helpful in assessing the value of those heritage assets that are not reported in the entity's balance sheet should be disclosed.

- The financial statements should contain a summary of transactions relating to heritage assets disclosing, for the accounting period and each of the previous four accounting periods:

  (a) the cost of acquisitions of heritage assets;

  (b) the value of heritage assets acquired by donation;

  (c) the carrying amount of heritage assets disposed of in the period and the proceeds received; and

  (d) any impairment recognised in the period.

  This summary should show separately transactions in assets that are reported in the balance sheet and those that are not.

- To avoid undue burdens in implementation, the standard permits the above mentioned summary to be built-up going forward: only two years' information is required in the year in which the standard is first applied, provided it is stated that it is not practicable to provide information for earlier periods.

- For heritage assets that are not reported in the balance sheet, the reasons why should be explained and the notes to the financial statements should explain the significance and nature of those assets that are not reported in the balance sheet.

6. Treatment of other historic assets

6.1 The SORP identifies abbeys, monasteries, cathedrals, historic churches and ancient centres of learning as assets that may not fall directly within the definition given for heritage assets. Such historic assets which are integral to the purposes of the charity and share many of the characteristics of heritage assets can also present similar valuation difficulties. The valuation approaches of FRS 30 are relevant in such instances and allow valuations to be made by any method that is appropriate and relevant. The SORP continues to recognise that the valuation of previously non-capitalised assets of this nature may on occasions be impractical. Where such historic assets are not recognised on the balance sheet, the SORP continues to require the reasons to be stated. The additional disclosures required by the FRS 30 where valuation is impracticable should also be provided.