

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as... (no name) /

Comment ID 28

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4 Valuation of local authority assets for local authority accounting in the UK

Once again, the title is too unwieldy. "Valuation of assets for Local Authority Accounting" is sufficient. There is no need to repeat Local Authority or UK.

I have previously recommended (see Comment ID 13 and 25) that the guidance on valuations for financial reporting in the public sector be brought together, rather than being scattered between UK VPGAs 1, 2 and 4.

My overall comment is that this draft VPGA is unduly long. It falls into the same trap as UK VPGA1 and UK VPGA 3 of having detail on accounting options and requirements which are outside the valuer's remit, rather than focussing on matters that the valuer needs to know when providing a valuation. Local Authority accounting is little different from private sector accounting under IFRS, the principal differences being a different basis of value for operational property and prescriptions as to which categories of asset have to be measured as cost and which have to be valued. The guidance should focus on this rather than reciting matters that also apply in the private sector, and which ought to be covered in a generic GN on IFRS rather than being scattered around different sections of the UK Red Book.

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as... (no name) /

Comment ID 29

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4 Scope

This lengthy introduction is largely unnecessary. Apart from the historic reference to 2010/11 in the opening sentence, paragraphs 1 and 2 are OK. However, 3a), b), c) and d) are all of no consequence to the valuer who does not need to know the background to what regarded as "proper accounting practice" under legislation in different jurisdictions. 4 is useful as a summary, but 5 and 6 are contain detail that is repeated later in the document so can be deleted. Three of the six paragraphs, and over half the words, can be deleted with no loss to the overall usefulness of the VPGA.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 ... 1. Valuation ('measurement') for financial s... UK VPGA 4 Valuation of local authority as... UK VPGA 4.1 IFRS 13 Fair Value Measur... (no name) /
Comment ID	30
Respondent	Chris Thorne - Valuology
Response Date	05 Jul 2018

Comment

UK VPGA 4.1 IFRS 13 Fair Value Measurement

A more appropriate title would be "UK VPGA 4.1 Bases of Value", as most of the text explains that bases other than fair value are used for operational assets, social housing and specialised assets.

The text in the highlighted box is unnecessarily long and discursive. There is no need to list the three bases/approaches that may be used for current value as these appear immediately beneath in the commentary. The final reference to VSP4 also makes little sense. An adequate alternative would be:

IFRS 13 Fair Value Measurement was introduced to the 2015/16 Code and applies to all local authority assets apart from operational property plant and equipment (PP&E). The Code provides that the appropriate measure for operational PP&E is based on the current value of the asset which is a measure of the service potential that the asset provides in support of the services of the authority.

The definitions for EUV and EUV-SH (subject to concurrent deliberations) should appear in the commentary beneath the list of the four bases (not within the list itself).

It is also important to add that the DRC option is for specialised assets for which there is no market because of their specialised nature. This is a necessary clarification as I have come across LAs who consider virtually all their property to be specialised, eg council offices will have a “specialised” layout compared with a private sector occupier in a similar building. Also DRC would not be appropriate if there was an actual or imputed income from the asset.

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as...
UK VPGA 4.2 Classification of assets / (no name) /

Comment ID 31

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4.2 Classification of assets

This section is unnecessary. For a start it presumes that the valuer knows what the accounting treatment is under each of the IFRSs listed, but the overriding problem is that it contains no information that a valuer needs to know. Delete

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as...
UK VPGA 4.3 Valuation of property, plant ... (no name) /

Comment ID 32

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4.3 Valuation of property, plant and equipment

This is the core of the guidance for valuers and is good and relevant stuff. However, there is some overlap with 4.1, so consideration should be given to merging these two sections and avoiding repetition.

An improvement would be to relocate paragraph 1 to the end with appropriate adjustments to the wording. It seems odd to open a section dealing with the valuation of PP&E with the exception where cost is used.

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as...
UK VPGA 4.4 Leases and lease type arra... (no name) /

Comment ID 33

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4.4 Leases and lease type arrangements

See my earlier comment on Leases under VPGA1 (Comment ID 16). As in the private sector, following initial classification under IAS 17 there has been little need for valuers to get involved in valuations for lease accounting, and there is little sign that there will be under IFRS 16.

Everything in this section, and in 4.5 and 4.6. is simply a recital of the way in which leases have to be accounted for, which is no different from IFRS and of little consequence for valuers. It can be deleted as there is no practical valuation guidance provided or needed.

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s... UK
VPGA 4 Valuation of local authority as...

UK VPGA 4.5 Leases held as a lessee / (no name) /

Comment ID 34

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4.5 Leases held as a lessee

See comment on 4.4

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s... UK VPGA
4 Valuation of local authority as... UKVPGA 4.6 Leases
held as a lessor / (no name) /

Comment ID 35

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UKVPGA 4.6 Leases held as a lessor

See comment on 4.5

Comment Information

Document Section RICS Valuation - Global Standards 2017 ...
1. Valuation ('measurement') for financial s...
UK VPGA 4 Valuation of local authority as...
UK VPGA 4.9 Accounting for depreciation / (no name) /

Comment ID 36

Respondent [Chris Thorne - Valuology](#)

Response Date 05 Jul 2018

Comment

UK VPGA 4.9 Accounting for depreciation

Depreciation under the CIPFA Code is no different to that under IFRS or UK GAAP. To avoid maintaining two documents with the potential for error between the two, all that is needed is a cross reference to UK VPGA 3 or (preferably) to a standalone global GN on the subject, see my comments on UK VPGA 3 (Comment ID27). The rest of the text here can then be deleted.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 ... 1. Valuation ('measurement') for financial s... UK VPGA 4 Valuation of local authority as... UK VPGA 4.10 Examples of asset categori... (no name) /
Comment ID	37
Respondent	Chris Thorne - Valuology
Response Date	05 Jul 2018

Comment

UK VPGA 4.10 Examples of asset categories measured at cost

This section is useful as it clarifies the types of local authority asset that a valuer need not be concerned about. However, it would be helpful to add a sentence at the beginning to emphasise that these are assets where the Code provides that historic cost is to be used as one of the permitted alternative measurement bases under IAS16, with the consequence that valuations will not be required for financial reporting purposes.