

## 1. Background

- 1.1. The November SORP Committee meeting considered a briefing and draft Update Bulletin in relation to heritage asset accounting. Andrew Lennard, Technical Director of ASB, informed the meeting that subsequent to the Discussion Paper consultation the ASB Board had requested a revised proposal be developed with a view to a different solution being promulgated for comment in an Exposure Draft.
- 1.2. The SORP Committee asked the Chairman to write to the ASB indicating the Committee's serious concern should the revised proposal for the valuation test be applied on a collection by collection basis be substituted for the initial discussion document's proposals, and to seek a meeting with the ASB to express the Committee's reservations.

## 2. Correspondence and meeting with ASB

- 2.1. Our letter to the Chair of ASB resulted in a welcomed invitation to attend the ASB Board meeting considering the final text of their Exposure Draft. A copy of the letter sent to the Chair of ASB is attached for reference.
- 2.2. Andrew Hind and Ray Jones attended the ASB's Board meeting on 23 November to explain in more detail the concerns expressed by the Charities SORP Committee as to the ASB proposal that valuation of heritage assets should be on a collection by collection basis. The key points made to the ASB included:
  - the resulting information would be incomplete and therefore potentially misleading;
  - nor would it facilitate user interest in information about stewardship of heritage assets;
  - the approach overall would lead to differences in application;
  - the proposed definition of a collection was capable of manipulation to avoid valuation;
  - there could be significant additional compliance costs imposed on the sector.
- 2.3. The ASB's Board emphasised to Andrew Hind and Ray Jones that its underlying clear and strong preference was for heritage assets to be valued to the greatest practicable extent.
- 2.4. The ASB did not dismiss the arguments put forward entirely but did conclude that valuation on a collection by collection basis still offered potentially the most effective approach to meet its underlying objective. In doing so it also took account of the implications of such an approach for auditors.
- 2.5. The Exposure Draft was approved for consultation although it was recognised it would be controversial and that the ASB would need to look very carefully indeed at the responses. Due process required the

consultation should not be rushed and in terms of an application date it was probably sensible to think in terms of the standard coming into effect for reporting at March 2009 year ends.

### **3. Publication of exposure draft**

3.1. On the 19 December 2006 the ASB issued its Exposure Draft on Accounting for Heritage Assets (FRED 40). The text of the Exposure Draft and the related press release can be downloaded at [www.frc.org.uk/asb/press/pub1215.html](http://www.frc.org.uk/asb/press/pub1215.html). The consultation period ends on 20 April 2007.

#### **Questions:**

**Does the Committee agree that further work on developing a SORP Update Bulletin dealing with accounting for heritage should be put on hold until the outcome of the ASB's consultation is known and a copy of the post consultation draft is available to the SORP Committee ?**

**Does the SORP Committee wish to respond collectively to the forthcoming ASB consultation?**