



Clapham Parish Council Fixed Asset and Valuation Policy

Introduction

The term fixed assets refers to property, plant and equipment with a useful life of more than one year used by the Council to deliver its services.

The Council follows the practices set out in the latest edition of the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide published by The National Association of Local Councils (NALC).

Risk

If the assets the Council owns or has responsibility for are not being managed properly the authority is exposed to reputational risk and financial loss relating to:

- improper asset management – without the right management information, outdated patterns of use may run on unchallenged or unnoticed;
- improper asset usage and maintenance – assets may not be fit for purpose, be underused or so out-of-date as to be incapable of satisfactory modernisation. Equally they may be capable of alternative, additional or more intensive use or be readily saleable. These opportunities may be missed where no comprehensive information on assets is available; and
- insufficient records of asset ownership – where responsibility for assets may be overlooked altogether and risks unmanaged.

The risks can be mitigated by maintaining up an asset register which holds all the information required – see full details later.

Asset Register

An asset register is the starting point for any system of financial control over assets as it:

- facilitates the effective physical control over assets;
- provides the information that enables the authority to make the most cost-effective use of its capital resources;
- ensures that no asset is overlooked or underutilised and is therefore used most efficiently;

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- provides a record of the sources of evidence used to support the existence and valuation of assets to be covered by insurance;
- supports the Annual Governance and Accountability Return entry for capital assets by collecting the information on the cost or value of assets held; and
- forms a record of assets held for insurance purposes.

The key information needed in the asset register is:

- dates of acquisition, upgrade and disposal (it is useful to keep a record of disposed assets as an asset management tool);
- costs of acquisition and any expenditure which increases the life of the asset;
- if proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received;
- useful life estimate;
- location;
- responsibility (it may be appropriate to assign responsibility for each asset);
- present use and capacity, for example in terms of site area, internal floor areas, and measures of occupancy and/or usage;
- corresponding periodic measures of usage or occupation;
- any available indications of asset value and condition; and
- any regular charges for usage or occupancy.

Most assets should be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known at acquisition or first recording and so a proxy cost may be substituted. A proxy cost is a value for the asset which is an estimate of its value by the authority which is based on external professional advice. Authorities may apply the insurance value of the asset at the time of first recording as a proxy. A proxy cost may be applied at the time of acquisition or first recording of an asset in the asset register only where the cost/value is not known.

In the special case where an authority receives an asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the asset should be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost. The use of the £1 proxy is particularly important in cases where an authority operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use should be expensed as revenue items.

Where the Council owns assets that do not have a functional purpose or any intrinsic resale value these assets are often referred to as 'community assets'. Authorities should record community assets in the assets register in the same way as gifted assets. The asset should be included in the asset register with a nominal one pound (£1) value as a proxy value.

The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's Annual Governance and Accountability Return.

Fixed assets acquired in any year should be added to the asset register for management purposes. For accounting purposes, acquisitions and disposals of fixed assets should be treated as any other purchase or sale and recorded as part of annual payments or receipts.

Asset Valuation

The Council adopts the commonly used method of fixed asset valuation for first registration on the asset register at acquisition cost. This means that once recorded in the asset register, the recorded value of the asset will not change from year to year, unless the asset is materially enhanced. Exceptions to this are gifts at zero cost and 'community which are recorded at a proxy value of £1. Historically there are also some old items (e.g. a noticeboard which is being replaced) where the cost/value at acquisition is unknown.

The Recreation Ground has been leased to Clapham Parish Council since April 2019 and is dedicated to public use in perpetuity and may not be developed, no value is attributed to it.

Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation.

For reporting purposes therefore the original value of fixed assets will usually stay constant throughout their life until disposal.

The particular method of asset valuation to be used is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted by the Council is set out in this policy and in the asset register and its approval recorded in the relevant meeting minutes.