



# Stratfield Mortimer Parish Council

## Asset Valuation and Register Policy

### 1 Policy Statement

- 1.1 The Council acknowledges its responsibility to maintain a register of the fixed assets and long-term investments that it holds and the need to focus on their safety and proper management, including disposal and the use of any resulting capital receipt where applicable.
- 1.2 The Joint Panel on Accountability and Governance (JPAG) is responsible for issuing proper practices about the governance and accounts of 'smaller authorities'<sup>1</sup>.
- 1.3 JPAG has issued a Practitioners' Guide<sup>2</sup> to support the preparation by smaller authorities in England of statutory annual accounting and governance statements found in the Annual Governance and Accountability Return (AGAR) - this Policy has been established in accordance with that Guide.

### 2 Types of Assets and the Asset Register

- 2.1 Fixed assets mean property, plant and equipment with a useful life of more than one year used by the Council to deliver its services. Fixed assets are also known as non-current assets.
- 2.2 A fixed asset register is the starting point for any system of financial control over tangible assets as it:
  - facilitates effective physical control over assets;
  - provides the information that enables the Council to make the most cost-effective use of its capital resources;
  - supports the AGAR entry for fixed assets by collecting the information on the cost or value of assets held;
  - forms a record of assets held for insurance purposes.
- 2.3 A fixed asset register (the Asset Register) shall be maintained by the Responsible Finance Officer.
- 2.4 A long-term investment arises where the Council invests money for more than 12 months. The Council has no long-term investments (but should this change, this Policy and the Asset Register will be updated to include such, and in accordance with the current recommended practices for asset management).

### 3 Management and Asset Valuation

- 3.1 The fixed asset valuation for first registration on the Asset Register shall be at acquisition cost. The recorded value of the asset will not change from year to year

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<sup>1</sup> a 'smaller authority' is one where the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5m - Local Audit and Accountability Act 2014 s.6

<sup>2</sup> See <https://www.nalc.gov.uk/library/our-work/jpag/3698-practitioners-guide-2022/file>

unless the asset is materially enhanced.

- 3.2 Fixed assets acquired in any year shall be added to the Asset Register for management purposes.
- 3.3 For accounting purposes, acquisitions and disposals of fixed assets shall be treated as any other purchase or sale and recorded as part of annual payments or receipts, expenditure or income.
- 3.4 Assets that are either under construction or have not been brought into use shall only be included on the Asset Register when complete and when they will benefit the community.
- 3.5 Obsolete assets that are no longer in use or are awaiting disposal shall be recorded in the relevant section of the Asset Register.
- 3.6 Assets that have been received by the Council as a gift, and assets which do not have a functional purpose or any intrinsic resale value, will be included on the Asset Register with a nominal one pound (£1) value as a proxy for the zero cost.
- 3.7 Assets shall not be depreciated and shall not be subject to impairment adjustments or revaluation (as this is not required nor appropriate for this method of asset valuation). However, where practicable, provision for the replacement of an asset via a sinking fund arrangement is permitted.
- 3.8 Proceeds from the disposal of fixed assets by local councils are known as capital receipts and are subject to statutory controls<sup>3</sup>, and:
  - 3.8.1 such proceeds cannot be used for revenue purposes and can only be used for capital purposes (the purchase of fixed assets, the significant enhancement of fixed assets, the making of capital grants, or the repayment of long-term loans);
  - 3.8.2 if necessary, separate records will be kept so compliance with this requirement can be demonstrated;
  - 3.8.3 where the total proceeds from the sale of a fixed asset is below a specified amount (currently £10,000<sup>4</sup>) it is deemed to be de minimis and these requirements do not apply.

#### 4 Asset Replacement and Insurance

- 4.1 The acquisition cost of each asset will be used to determine its replacement cost, in accordance with the matrix below, which will be recorded in the Asset Register.
- 4.2 Where the acquisition cost of an asset is not known, or a proxy cost of £1 has been recorded, a baseline replacement cost will be established, either by using the comparable current cost of a similar asset or by estimating.
- 4.3 The replacement cost of assets will be reviewed annually, and updated in accordance with the following matrix:
  - less than 2 years old – no increase on original/baseline replacement cost;
  - 2 years old – 10% increase on original/baseline replacement cost;
  - 3 - 5 years old - 25% increase on original/baseline replacement cost;

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<sup>3</sup> See <https://www.legislation.gov.uk/ukxi/2003/3146/contents/made>

<sup>4</sup> As at 31 March 2023

- 6-10 years old – 50% increase on original/baseline replacement cost;
- 11 – 15 years old – 75% increase on original/baseline replacement cost;
- over 15 years old – 100% increase on original/baseline replacement cost.

4.4 Assets equal or less than any applicable insurance excess (currently £150.00) will be recorded at their original value until disposed of (and thus not included for insurance purposes).

4.5 Where necessary, the replacement cost will be used to assist in forward planning for asset replacement.

4.6 The replacement costs in the Asset Register will be compared annually with the insurance schedule to ensure that all relevant assets as recorded are appropriately insured.

4.7 The Council may choose to “self-insure” an asset.

## 5 General

5.1 This Policy and the Asset Register shall be reviewed and approved at least annually by the Finance and General Purposes Committee and/or the Council as part of the financial year end and AGAR process.

5.2 If it is decided that the basis of asset valuation should be changed:

5.2.1 that change shall be applied consistently to all relevant classes of fixed assets;

5.2.2 the relevant value in the AGAR for the previous year should also be changed to the new basis and clearly marked as ‘Restated’.

5.2.3 a justification and explanation for the change shall be reported to the Finance and General Purposes Committee and/or the Council and recorded in the minutes of the relevant meeting(s).