



FIXED ASSET CAPITALISATION POLICY

Policy No	Version	Owner	Doc	PDF	Date published	Review due	Review team
FAC01	1	RFO	xxxx				Finance

*V1 agreed at a meeting of Salisbury City Council Finance and Governance
Committee on ~~XXXXX~~*

1. General

1.1. Parish Councils must maintain an asset register to ensure fixed assets are appropriately safeguarded.

1.2. A Fixed Asset Register (the Register) has four main purposes:

- It forms a basis for completion of box 9 in the 'Annual Return';
- It forms a basis for decisions on risk and insurance issues;
- It provides information on the age and potential lifespan of certain items;
- It provides assurance of the continued existence of Council's property.

1.3. The Register is a working document which is updated and amended by the Responsible Finance Officer as necessary, in response to the sale and purchase, or end of life of any fixed asset.

1.4. The definition of a fixed asset is one which is land, property, plant or equipment with a useful life of more than 5 years and used by the Council to deliver its services.

2. Scope of the Asset Register

2.1. In order to ensure transparency and reasonableness, the following items are included in the Register, whether purchased, gifted or otherwise acquired:

- land and buildings held freehold or on long term lease in the name of the Council;
- vehicles, plant and equipment;
- community assets;
- investment properties;
- non-operational assets considered portable, attractive or of community significance; and
- inventory assets, including grounds, office, IT, catering and events equipment.

2.2. The values indicated in the asset register inform the 'total fixed assets' section of the Annual Return.

2.3. Items which fall outside the definition for inclusion in the Register, are:

- land and buildings held on short term lease or rented;
- land and buildings maintained or serviced but not owned by the Council;
- assets rented by or loaned to the Council;
- stock items intended for resale;
- stationery and other consumable items;
- boundaries of land owned (e.g. fences, hedges and gates);
- plants and trees;
- assets with a purchase or resale value of less than £5,000 (or aggregate value for grouped assets);
- cash, short term investments and other current assets; and
- intangible assets such as internet domain names.

3. Valuation of Assets

- 3.1. Once recorded on the asset register at acquisition cost, the asset value does not change from year to year until disposal. Concepts of depreciation and impairment adjustments are not appropriate for parish councils as provided by the Governance and Accountability for Local Councils: A Practitioner's Guide (England) 2021 para. 5.148.
- 3.2. Assets must be valued by applying the purchase price. This will be net of VAT if VAT has been reclaimed. Otherwise this will be gross of VAT if VAT has not been reclaimed or where the VAT status of the purchase is unclear.
- 3.3. Where it is not possible to trace the purchase price of the asset, the insurance valuation will be applied. Where no such valuation is available, a nominal value of one pound will be applied.
- 3.4. Any assets gifted to the Council will be recorded at the nominal value of one pound as provided by the Governance and Accountability for Local Councils: A Practitioner's Guide (England) 2021 para. 5.61.

4. Disposal or End of Life Assets

- 4.1. Proceeds from the disposal of fixed assets are known as capital receipts and can only be used for capital purposes - that is the purchase of fixed assets, the making of capital grants, or the repayment of long-term loans. Where the total proceeds from the sale of a fixed asset are below £10,000, however, they can be applied to revenue purposes.
- 4.2. Assets are removed from the Register as a result of either disposal or decapitalisation. Decapitalisation is the removal of an asset from the Register once its useful economic life has expired. Typical lifetimes, and those used to identify assets for decapitalisation are:

Asset Type	Lifetime (years)
Land	Perpetual
Buildings	100
Plant and Machinery	15
Vehicles	10
Equipment	10
Non Operational	5 to 100 **
Inventory	5

** Dependent on type of asset eg. VC medals = 100 years; Robes = 5 years

Annex

Governance and Accountability for Local Councils: A Practitioner's Guide (England) 2021 – Extracts

5.139

Proceeds from the disposal of fixed assets are known as capital receipts and are subject to statutory controls. Such proceeds cannot be used for revenue purposes and can only be used for capital purposes - that is the purchase of fixed assets, the making of capital grants, or the repayment of long-term loans. Authorities should keep separate records so that they can demonstrate compliance with this requirement. Where the total proceeds from the sale of a fixed asset is below a specified amount, currently £10,000, it is deemed to be de minimis and these requirements do not apply.

5.148

For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances 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. 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.

5.61

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.