

Batheaston Parish Council
Asset Register Policy, June 2020

1. Background

Local councils must maintain a register of assets to ensure fixed assets are identified and safeguarded. The register includes capital items where values tend to be high and have a useful life of more than one financial year.

2. Scope of asset register

2.1 In order to ensure transparency and reasonableness, the following items are **included** in the Council's asset register, whether purchased, gifted or otherwise acquired, together with their holding location:

- land and buildings held freehold or on long term lease in the name of the Council
- community assets
- vehicles, plant and machinery
- assets considered to be portable or of community significance
- all items purchased from ear-marked reserves.

2.2 The values indicated in the asset register will inform the 'total fixed assets' section of the Annual Return with the exception of assets held on trust.

2.3 The following items fall outside the definition for inclusion and are therefore **excluded** from the Council's asset register:

- 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
- floor or land surfaces and drainage
- plants and trees
- assets with a purchase or resale value of less than £100
- repairs
- cash, short term investments and other current assets
- intangible assets (e.g. trademarks, internet domain names, contingent assets, broadcast rights)
- 'negative' assets (e.g. provisions, borrowings, creditors and contingent liabilities)

2.4 A separate section of the asset register will contain a schedule of disposals.

3. Valuation of assets

3.1 Once recorded on the asset register, the value of assets must not change from year to year until disposal. Concepts of depreciation and impairment adjustments are not appropriate for local councils (Governance and Accountability for Local Councils: A Practitioner's Guide (England) 2014, para. 3.69).

3.2 Assets must be valued by one of the following means based on available information:

- Ideally, apply the purchase price (including VAT as appropriate).

- Where it is not possible to trace the purchase price of the asset the insurance valuation should be applied.
- As a last resort, a nominal value of £1 may be applied. This should also be used for assets gifted to the Council.

3.3 There is no guidance where land or buildings have been subject to substantial renovation and improvement to such an extent that the new market value bears no relation to the original purchase cost. In order to avoid renovation and improvement work being separately recorded on the asset register and in these exceptional circumstances only, a market value supplied by a qualified surveyor may be entered.

4. Updating the Asset register, acquisitions and disposals

4.1 The start point is the asset register that has been agreed for the end of the previous financial year. The financial ledger should be reviewed for all purchases made during the year. A discussion should be held with all Council officers to identify any assets that have been gifted to the Council. Any new assets which fall in the categories stated at 2.1 above should be added to the asset register, with their values recorded at the purchase price (net of VAT if VAT is being reclaimed) or at £1 if gifted to the Council.

4.2 The financial ledger should also be reviewed for all asset sales made during the year. A discussion should be held with all Council officers to identify any assets that have been lost, disposed of or gifted by the Council. Any assets which fall in the categories stated at 2.1 above should be removed from the asset register and recorded in the schedule of disposals. The asset register should record any assets loaned by the Council, including the person or organisation borrowing the asset, its location and the date when the loan period ends.

4.3 An annual inspection of asset register items should occur to ensure that all asset register items can be physically verified. Any assets which cannot be located should be removed from the asset register and recorded in the schedule of disposals.

4.4 The asset register and schedule of disposals should be reviewed annually by the Finance Committee and then approved by the Council at the same time as the approval of the Annual Return.

5. Risk Management

There is risk If the assets the Parish Council owns or for which it is responsible are not being managed properly the council is exposed to the risk of 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
- asset ownership – the continued ownership of assets may be overlooked altogether and risks unmanaged. The risk of financial loss can be greatly reduced by setting up an asset register which holds all the information needed.

Appendix 1

ASSET DISPOSALS, CAPITAL RECEIPTS AND CAPITAL EXPENDITURE

Asset disposals

Assets other than land

There are no special rules for the acquisition or disposal of assets other than land (land in the law of England & Wales includes buildings and structures on land). Local councils can acquire or dispose of assets other than land under the general power in section 111 Local Government Act ('LGA') 1972: power to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of their functions.

Land (including buildings and structures on land)

Local councils can acquire land, whether situated inside or outside their area, for the purposes of any of their functions or for the benefit, improvement or development of their area (section 124 LGA 1972).

The power to dispose of land (and in law a disposal might be a sale or gift or lease or the grant of a right such as an 'easement'), contained in section 127 LGA 1972, is more restrictive. Unless the Secretary of State consents, a disposal of land must be for not less than the best consideration that can reasonably be obtained. The Secretary of State's view is that this provision requires a valuation by a member of the Royal Institution of Chartered Surveyors even if the disposal is to be at auction or by tender or sealed bids.

The provision for 'best consideration' does not apply where the disposal is a 'short tenancy', defined as the grant of a lease for a term not exceeding seven years (including a yearly, monthly or weekly tenancy), or the assignment of a lease which at the date of assignment has not more than seven years to run.

The Secretary of State has published a 'general disposal consent' ('GDC') which gives consent to a disposal for less than best consideration (which might include a gift) where:

- The council considers that the disposal will promote or improve the economic, social or environmental well-being of its area
- The undervalue does not exceed £2,000,000.

Disposal of open space

In addition to complying with the requirements of section 127 (above) a local council may not dispose of open space unless it has given notice of its intention, for two consecutive weeks, in a newspaper circulating in the area, and has considered any objections to the proposed disposal. Open space may in any case be subject to restrictions on its disposal if it is (for example) a King George V field or a Queen Elizabeth II field, or if it is subject to restrictive covenants. Open space, like all land, should be registered at the Land Registry as this will show any restrictions on disposal.

Land purchased or appropriated for use as allotments

Land purchased or appropriated for use as allotments may not be disposed of without the consent of the Secretary of State or Welsh Ministers, as the case may be, who must be satisfied that adequate provision will be made for displaced allotment holders.

Capital receipts

A capital receipt is the proceeds arising from the disposal of an interest in a capital asset or of a long-term investment. While the definition of 'capital asset' can in theory be complex in practice the issue is simplified by the statutory provision that a receipt not exceeding £10,000 cannot be a capital receipt for the purposes of the legislation¹. Thus only receipts over £10,000 can be capital receipts, and then only if they arise from the disposal of an interest in a capital asset (normally land or buildings) or a long-term investment. The repayment of a loan made by a local council is not a capital receipt². Grants received by a local council are never capital receipts (although of course the conditions of a grant may require it to be applied in a certain way) and neither are CIL receipts.

Capital receipts (if exceeding £10,000) may arise not only from the sale of land but also from a premium on the grant of a lease or a one-off receipt from the grant of a right such as an 'easement'. Capital receipts can be applied only towards capital expenditure (see below) or the repayment of borrowings. So capital receipts cannot be mixed with the council's general funds, or used for grants (except for expenditure which would have been capital if incurred by the council, see below). RFOs will wish to ensure that capital receipts are held in a separate bank account, or invested, to ensure that they are not misused.

Although members and the RFO need to be aware when the council has capital receipts they are not disclosed separately in the Annual Return and when received are included in Line 3 'other receipts'.

Capital expenditure

Councils can incur capital expenditure from general funds such as the precept or uncommitted reserves so the identification of expenditure as capital is relevant only when the council holds capital receipts or intends to finance expenditure by borrowing. Councils in England considering financing expenditure by borrowing should consult their County Association (whether or not they are members) on the procedure for obtaining the Secretary of State's approval.

'Capital expenditure' means expenditure on the acquisition or improvement of a capital asset, which in practice means an asset that is expected to be of benefit to the council or its area or its inhabitants for at least a year. Unlike with capital receipts expenditure of any amount can be capital expenditure so (for example) the purchase of a computer or the installation of (fixed) play equipment is capital expenditure. However, rent, hire charges and interest relating to an asset in use can never be capital expenditure even if they relate to a capital asset.

The Regulations provide that some expenditure is to be treated (or not treated) as capital expenditure notwithstanding the accounting treatment. Thus the Regulations provide that capital expenditure includes:

- A grant (but not a loan) to a third party towards expenditure which would, if incurred by the council, have been capital expenditure (for example, a grant to a charitable trust for the construction or improvement of a village hall)⁵
- Expenditure on works to any land or buildings in which the council does not have an interest, but which would have been capital expenditure if the council had had an interest (for example, improvements to a play area owned by the principal council)⁶
- Expenditure on the acquisition or production of assets for use by a third party which would have been capital expenditure if they had been acquired or produced for use by the council (for example, the purchase of a computer to be used by a community organisation)⁷
- Expenditure incurred on the acquisition or preparation of a computer program if the council expects the program to be of benefit to the council for at least a year

The Regulations also provide that a loan by a local council is not capital expenditure.

Capital expenditure is not disclosed separately in the Annual Return and is included in Line 6 'other payments'.