

“PROPER PRACTICES” FOR VALUATION

DEFINITION

For the purposes of this Policy “Fixed assets” means property, plant and equipment with a useful life of more than one year used by Neasham Parish Council (the ‘Council’) to deliver its services.

BACKGROUND

If a Council’s assets are not properly managed the Council is exposed to the risk of financial loss. Without the right management information, outdated patterns of use may run on unchallenged or unnoticed perhaps creating improper asset usage and/or inadequate maintenance. Opportunity for alternative, additional or more intensive use, or for ready saleable ability, may be lost. Adequate information, properly recorded and regularly reviewed, is the key to proper management. Minimum key information 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
- situation
- state of repair and extent of use

CLASSIFICATION

The Council classifies its fixed assets (consistently with the classifications used for insurance purposes) as follows:

- Buildings – Premises
- Buildings – Gates & fences
- Buildings – Fixed outside equipment
- Buildings – Street furniture
- Buildings – other surfaces
- Buildings – additional cover
- Contents additional cover – Outdoor items
- Contents additional cover – defibrillators
- Contents additional cover – contents kept at home
- Property away from the premises

VALUATION & ACCOUNTING

A particular method of asset valuation is not specified in proper practices. The Council adopts a “reasonable approach”, to be applied consistently from year to year, as follows:

- Where purchased at market price, the acquisition cost

- Where the acquisition cost is not known, a proxy cost, being an estimate by the authority of its value (where necessary based on external professional advice).
- Where an asset is gifted it should will be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost.
- Community Assets acquired at nil cost (unless transferred from another authority when the value at which it was held by the transferring authority will usually be maintained) should will be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost. This includes assets which do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial).

In most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year. Revaluation or depreciation is not applied. For reporting purposes therefore, the original value of a fixed assets will usually stay constant throughout their life until disposal. If an asset is materially enhanced, the cost of the enhancement should be added. Similarly, if an asset's value is materially and permanently impaired (for example be underused or so out-of-date as to be incapable of satisfactory modernisation and therefore not be fit for purpose) a reduction to a revised in value may be appropriate.

Where the Council decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. 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, expenditure or income. Paid for enhancements will be included. Non-cash movements such as revaluation or depreciation or impairment must not be included. The Annual Governance and Accountability Return should show both the former value and the new value, marked as "RESTATED". The Council should provide a justification and explanation for the change in the basis of reporting, which should be recorded in the Council's minutes.

This policy was approved by Neasham Parish Council on 1 March 2022

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Extracted and precised from "Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements (March 2019)" published by NALC.