



Bridgwater Town Council

Fixed Asset and Capitalisation policy

1) General

1.1. Town and 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 Financial 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) 2024 para. 5.66.
- 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) 2024 para. 5.64.

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 e.g. Portraits = 100 years; Robes = 5 years

5) Annex

Supporting Advice from the Governance and Accountability for Local Councils: A Practitioner's Guide (England):

5.59. Each authority may choose an appropriate minimum value for deciding between fixed assets and general consumables. The limit chosen will relate to expected useful life, whether the item would be included on an insurance claim and whether it is included in the risk assessment of the authority in any way. This minimum level is to be minuted and reviewed at least annually. The rationale and methodology should be recorded in the minutes.

5.64. Where an authority receives an asset as a gift at zero cost, for example by community asset transfer, it should be included with a nominal one pound (£1) value as a proxy for the zero cost.

5.66. The particular method of asset valuation 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 should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.

5.67. For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change

from year to year unless it is materially enhanced.

5.151. Proceeds from the disposal of fixed assets by local councils 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 significant enhancement 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.

5.152. 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.