

Payhembury Parish Council

Asset Management Policy

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1. Introduction

- 1.1. Payhembury Parish Council has a duty to ensure that its investments in assets are properly managed, controlled and recorded. This policy defines how the Parish Council tracks, values, inspects, maintains and disposes of its assets. The policy also covers the difference between Fixed Assets and Non-fixed Assets with regard to the requirements of the Annual Audit.
- 1.2. Local Councils are required to maintain an Asset Register to ensure Fixed Assets are appropriately safeguarded, where the term Fixed Assets means ‘property, plant and equipment with a useful life of more than one year used by the authority to deliver its services’. Fixed Assets are also known as non-current assets. For more information see Governance and Accountability for Local Councils: A Practitioner’s Guide (England) 2022 – Section 5 and the Parish Council’s Financial Regulations, section 14 which refers to the custody of Assets, Properties and Estates.

2. Risks

- 2.1. If the assets the Parish Council owns, or for which it is responsible, are not being managed properly the Parish Council is exposed to the risk of financial loss relating to:

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- improper asset management – without the right management information, outdated patterns of use may run on unchallenged or unnoticed;
- improper asset usage and maintenance – assets may not be fit for purpose, be underused or so out-of-date as to be incapable of satisfactory modernisation.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.

3. Asset Management

- 3.1. The risk of financial loss can be greatly reduced by effective asset management. Maintaining a record of assets held, asset inspections, asset maintenance and asset disposal will aid asset management. The following documents will be maintained:
- an Asset Register, identifying current assets;
 - an Asset Inspections Schedule and an Asset Inspections Record;
 - an Asset Maintenance Record, including any relevant historical information; and
 - an Asset Disposals Record.

4. Asset Register

3.1. Benefits of an Asset Register

- 3.1.1. An Asset Register is the starting point for any system of financial control over assets as it:
- facilitates the effective physical control over assets;
 - provides the information that enables the Parish Council to make the most cost-effective use of its capital resources;
 - ensures that no asset is overlooked or underutilised and is therefore used most efficiently;
 - pools all the information available about each asset from across the Parish Council and makes it available to every part of the Parish Council;
 - provides a record of the sources of evidence used to support the existence and valuation of assets to be covered by insurance;
 - supports the Annual Governance and Accountability Return entry for capital assets by collecting the information on the cost or value of assets held; and
 - forms a record of assets held for insurance purposes.

3.2. Scope of Asset Register – Fixed Assets

- 3.2.1. In order to ensure transparency and reasonableness, the following items are included in the Parish Council's Asset Register as **Fixed Assets**, 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 Parish Council
 - community assets
 - vehicles, plant and machinery
 - assets considered to be portable, attractive or of community significance
 - other assets estimated or known to have a minimum purchase or resale value of £100

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- long term investments, shares and loans made by the Parish Council
- assets held on trust

3.2.2. The values indicated in the Asset Register as **Fixed Assets** will inform the 'total fixed assets' section of the Annual Governance and Accountability Return with the exception of assets held on trust.

3.3. Scope of Asset Register – Non-Fixed Assets

3.3.1. The following items are defined as **Non-Fixed Assets** and are included in the Asset Register for insurance and maintenance purposes. Their values are not included on the Annual Governance and Accountability Return. As with Fixed Assets, in order to ensure transparency and reasonableness, the following items are included whether purchased, gifted or otherwise acquired, together with their holding location:

- land and buildings held on short term lease or rented
 - land and buildings maintained or serviced, but not owned by the Parish Council
- assets maintained, but not owned by the Parish Council
- assets rented by or loaned to the Parish Council
- stock items intended for resale
- stationery and other consumable items
- boundaries of land owned (e.g. fences, hedges and gates)
- floor or land surfaces and drainage
- plants and trees
- assets with a purchase or resale value of less than £100 (other than items listed as for inclusion in the Asset Register as Fixed Assets)
- 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)

3.3.2. The Asset Register may also include items that are not Parish Council assets where it is important to record that fact, for example, the Tale War Memorial. The entry will make it clear the item is not a Parish Council asset and should state who the owner is if known.

3.4. Key Information

3.4.1. The key information needed in the Asset Register 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;
- for Fixed Assets, valuation for audit purposes (if proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received);
- insurance valuation, date of valuation, a note of the method used for valuation and details of any professional advice received;
- useful life estimate;
- location; and
- responsibility (where appropriate).

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3.5. Annual Review of the Asset Register

- 3.5.1. At the end of March each year a 'stock take' of the Asset Register items will occur to ensure that all Asset Register items can be physically verified. Any assets which cannot be located within one month will be removed from the Asset Register and recorded in the Asset Disposals Record.
- 3.5.2. The financial records of the Parish Council for the preceding year will be reviewed to ensure that all relevant information for the assets is correctly recorded in the Asset Register.
- 3.5.3. The Asset Register, updated to 31st March, will be reviewed annually by the Parish Council at the Annual Parish Council Meeting in May, at the same time as the approval of the Annual Governance and Accountability Return.

3.6. Updating the Asset Register

- 4.1. The Asset Register for the previous financial year, which has been agreed at the Annual Parish Council Meeting in May, will form the starting point for the Asset Register for the new financial year.
- 4.2. The Asset Register is a living document and will be updated during the year as changes to assets occur. This will include:
- adding and removing assets;
 - updating or adding insurance valuations; and
 - recording asset inspections and maintenance.

5. Valuation of Assets

Fixed Assets will have separate valuations for audit and insurance purposes with both values included separately on the Asset Register. Non-fixed Assets only require a valuation for insurance purposes.

5.1. ...for the Annual Governance and Accountability Review

- 5.1.1. Once recorded on the Asset Register, the value of Fixed 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 2022 – Section 5).
- 5.1.2. Most Fixed Assets will be first recorded in the Asset Register at their actual purchase cost (excluding VAT if VAT has been reclaimed). In some cases' the purchase cost may not be known at acquisition or first recording and so a proxy cost may be substituted. A proxy cost is a value for the Fixed Asset which is an estimate of its value by the Parish Council which is based on external professional advice. Authorities may apply the insurance value of the Fixed Asset at the time of first recording as a proxy. A proxy cost may be applied at the time of acquisition or first recording of a Fixed Asset in the Asset Register **ONLY** where the cost/value is not known.

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- 5.1.3. In the special case where the Parish Council receives a Fixed Asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the Fixed Asset will 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 the Parish Council operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use will be expensed as revenue items.
- 5.1.4. 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.
- 5.1.5. If the Parish Council owns Fixed Assets that do not have a functional purpose or any intrinsic resale value (for example, the War Memorial) these assets are often referred to as 'community assets'. Authorities should record community assets in the Asset Register in the same way as gifted assets (see 4.1.3). The Fixed Asset will be included in the Asset Register with a nominal one-pound (£1) value as a proxy value. (Governance and Accountability for Local Councils: A Practitioner's Guide 2022 – Section 5.61 and 5.62).
- 5.1.6. The total value of the Parish Council's Fixed Assets recorded on the Asset Register as at 31 March each year is reported at Line 9 on the Parish Council's Annual Governance and Accountability Return.
- 5.1.7. It is good practice to identify Fixed Assets that are beneath the value of the insurance excess on an inventory. This inventory should contain minor items such as office equipment or tools etc. and be attached to the Asset Register.

5.2. ...for Insurance purposes

- 5.2.1. The Register of Assets will include a separate column to record the insurance valuation for each asset.
- 5.2.2. The Register of Assets will be used to inform the Insurers of the Parish Councils assets.
- 5.2.3. For the purpose of insurance, the value to be used is the replacement value of the item and not the purchase price or market value. Insurance valuations should also include any installation costs.
- 5.2.4. The Parish Council will ensure assets are valued accurately for insurance purposes to avoid under (or over) insuring. Assets should therefore be valued every five to seven years to ensure the appropriate level of insurance is held.

6. Asset Inspection

- 6.1. All assets listed on the Asset Register will be inspected regularly. The frequency of inspection will depend on the asset and will be defined in the Asset Inspection Schedule.

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- 6.2. If any assets cannot be located within one month, then they will be removed from the Asset Register and recorded in the Asset Disposals Records.
- 6.3. The following information should be recorded in Asset Inspections Record after each inspection:
- date of inspection and state of asset;
 - name of person doing the inspection

7. Asset Maintenance

- 7.1. Assets are required to be maintained to a satisfactory standard to ensure serviceability, prolong usable life and reduce the possibility of increased repair costs.
- 7.2. Asset maintenance action will require prior approval of the Parish Council, unless maintenance is required for Health and Safety reasons. No asset will be maintained beyond its reasonable useful life term.
- 7.3. The Parish Council will ensure an adequate annual budget is set to cover anticipated maintenance of assets.
- 7.4. The following information should be recorded in Asset Maintenance Record after any maintenance has been carried out:
- date and cost of maintenance;
 - reason for maintenance;
 - name of person or company who did the maintenance

8. Asset Disposal

- 8.1. The Parish Council will dispose of assets for which are no longer needed or which are beyond economic repair.
- 8.2. Where possible the Parish Council will attempt to sell assets that require disposal. Any funds raised should be put towards a replacement, if appropriate, or placed in General Reserves.
- 8.3. If an asset cannot be sold then the Parish Council will endeavour to dispose of the asset in an environmentally appropriate way.
- 8.4. The following information should be recorded in Asset Disposals Record:
- date of disposal
 - method of disposal; and
 - any funds raised and use of those funds.
- 8.5. The asset will remain on the Asset Disposals Record for seven years after disposal, then it will be deleted.