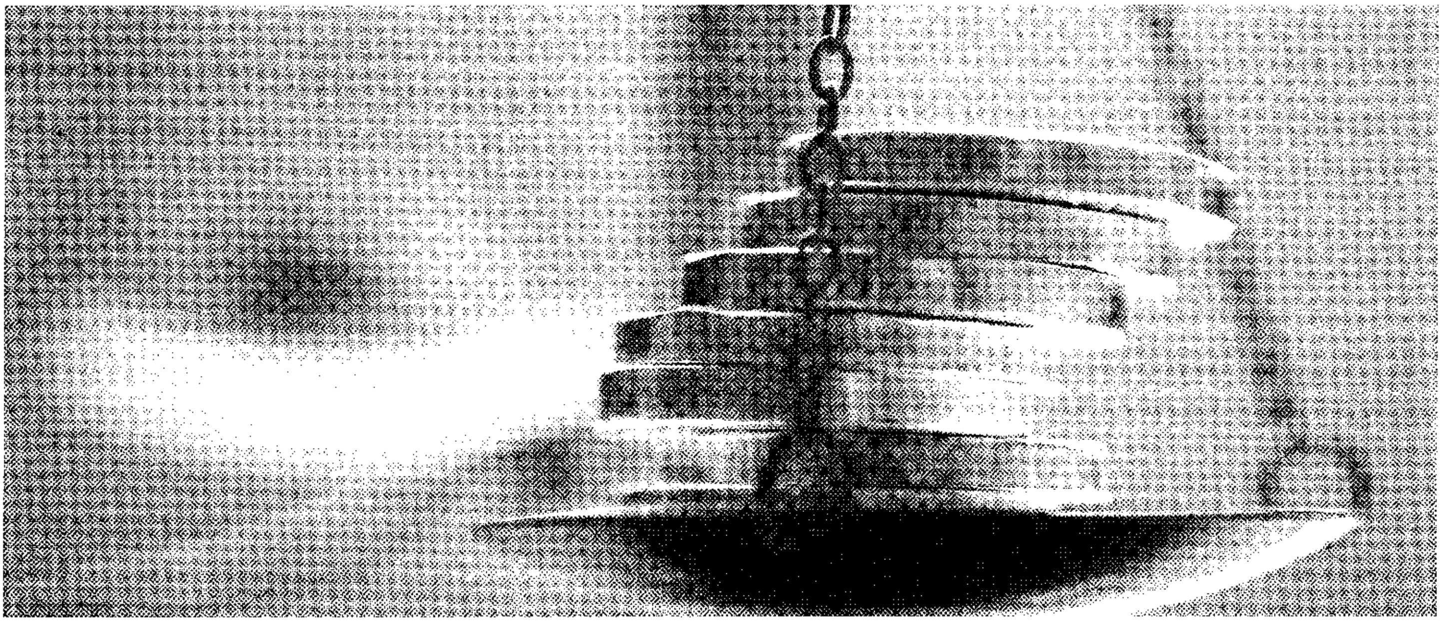
FIXED ASSETS – CHANGE IN REQUIREMENTS



The following practices provide clearer guidance on changes that have been made to the Practitioners' Guide.

What has changed?

Historically all assets have been included at cost or current value. Following amendments to proper practices as noted in Governance and Accountability for Local Councils – A Practitioners' Guide the following practices should now be applied.

Each asset owned by the body should be recorded on the asset register at its original purchase cost. In the event that the original purchase cost is not known at the time of first recording on the asset register, the body should, having taken appropriate advice, establish a current value for the asset. This value will act as a proxy for the original purchase cost and remain unchanged until disposal.

The requirement is then to include the value recorded in the asset register in Box 9 in Section 1 of the Annual Return.

What does the body need to do?

If the purchase cost of assets previously purchased is known, the body should use this figure for their value in their fixed asset register and add to it the cost of any purchases during the year to get the final figure to be entered in Box 9 for 2011. However, this figure must not be updated, apart from when there are subsequent additions, and should remain at this value until disposal.

What about the 2010 figures?

If the cost value of assets is known, the 2010 figures should be restated to show the cost value of the assets. "Restated" should then be written at the top of the 2010 column to acknowledge to the reader of the accounts that the comparative figures have been amended.

What about assets gifted to the body?

Where an asset has been gifted to the body and therefore, no cost has been incurred by the body, the body should estimate the current value of the asset and include this as the value until the asset has been disposed.

Please note where significant gifts occur, the auditor should be informed when the Annual Return is submitted to highlight the reason for the inconsistency between the change in asset value and the change in other costs for the year.

What about community assets?

Community assets are assets which due to their nature or legal status do not have a market value as they cannot be sold. Examples are war memorials or land such as a village green with covenants preventing its sale.

Such assets should be included at their historic cost value or given a £1 nominal value. It is important that these assets are given a value and included on asset register, at a value other than zero, and the Annual Return to ensure the body's ownership and responsibility is recognised and not lost or forgotten.

Should assets be depreciated?

No. Asset values should not be adjusted for depreciation. The cost value will remain as the asset value in the asset register and on the Annual Return until the asset is disposed.

What about long term investments?

The requirements for the valuation of long term investments have not changed. The market value of these investments should be assessed at 31 March each year and noted on the asset register. This market value should be included within Box 9 in Section 1 on the Annual Return.

Reminder: Long term investments are assets that can be traded such as shares, consolidated stock or war stocks, and therefore their tradable value may vary from year to year.

Short term investments, such as cash funds held at a building society, amounts invested in another authority or treasury deposits with a bank, are not noted on the asset register or in Box 9. They should be included within the reserves of the body, Box 7, and included in the reconciled bank and cash figure, Box 8.

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