Rawcliffe
Internal Drainage Board

Fixed Asset Valuation Policy

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1. Executive Summary

1.1. This policy describes the method the Board uses to record the value of its fixed assets, required as part of the proper practices the Board must have in place for accounting and governance.

1.2. In general, appropriate procedures are followed to ensure fixed assets and equipment are secured, properly maintained and effectively managed, this is ‘physically’ achieved through the Board’s asset management procedures. Financial procedures are also required to ensure assets can be afforded and financed and properly disposed of. It is for these reasons that the Board are required to report on the value of its fixed assets as part of its annual governance procedures. This information is prepared as part of the annual accounts and reported to the internal and external auditor for review.

1.3. The Joint Panel on Accountability and Governance (JPAG) is responsible for issuing proper practices about the governance and accounts of smaller authorities. Its membership consists of sector representatives from the National Association of Local Councils (NALC), the Society of Local Council Clerks (SLCC) and the Association of Drainage Authorities (ADA). Together with stakeholder partners representing the Department for Levelling Up, Housing and Communities (DLUHC), the Department of Environment, Food and Rural Affairs (DEFRA), the Chartered Institute of Public Finance and Accountancy (CIPFA), the National Audit Office (NAO), and a representative of the external audit firms appointed to smaller authorities.

1.4. Although much of the content of this policy is based on the JPAG guidance, the panel advise that “*the particular [sic] 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”.*

1.5. The methodology below describes the Board’s policy for recording the value of fixed assets.

2. Methodology

2.1. Fixed Assets over £10k that had an intrinsic value when purchased, gifted or transferred to the Board shall be recorded on the Asset Register as such. The Asset Register may also be used for recording non-tangible and low value assets such as small tools, personal protective equipment and items that are owned by others such as hire equipment the Board uses; however, the user shall have the ability to differentiate between Fixed Assets for reporting purposes. The Board does not hold significant stock other than a small number of parts and consumables at any one time.

2.2. The Asset Register facilitates the effective physical control over assets, provides the information that enables the authority to make the most cost-effective use of its capital resources, is useful for insurance purposes and supports the reporting requirements in respect of governance and external audit

2.3. The information needed on the Asset Register is date of acquisition, cost of acquisition, useful life estimates and normal location.

2.4. Assets that are in use will initially be valued at their acquisition cost or the realistic capital receipt value at the time of acquisition. The following valuation methods shall be used:

a) *Other Assets*

In the cases of buildings such as offices, depots, vehicles and mobile equipment the values shall be stated as the acquisition value e.g., £10,000 is the purchase price so £10,000 is the stated value.

b) *Flood Defence Works*

For these purposes flood defence works are assets in a permanent position including pumping stations, earthworks (where the freehold of the land beneath the earthworks is the Board's) and structures acquired or constructed for flood defence and water level management purposes.

These assets have no realistic capital receipt value, they cannot be sold as they are performing a flood risk function and represent a continuing maintenance liability. If the Board was to dispose of such an asset, for whatever reason, it is likely that another asset would be required to replace it at a greater cost than the acquisition cost, therefore the realisable value is likely to be less than one pound (£1) and should be valued as such as a proxy to zero value.

When making this assessment the valuation should consider any assets that are peripheral to the main asset that may represent a realisable capital receipt if separated from the main asset and sold, e.g., land or buildings at the side of a pumping station. These items should be valued at their acquisition price if known or the current estimated market value if unknown. These assets should only be included in the Asset Register if they could be disposed of without impairing the function of the main asset. These peripheral assets should be recorded as a separate line on the Asset Register e.g., "Land at Carr Lane Pumping Station".

2.5. Assets that are either under construction or have not been brought into use should be included on the Asset Register only once complete and when they benefit the community.

2.6. Obsolete assets that are no longer in use or are awaiting disposal should be clearly recorded as such.

2.7. 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.

2.8. Assets that do not have a functional purpose or any intrinsic resale value e.g., a village pond, are often referred to as community assets. These assets should be recorded in the same way as a gifted asset.

2.9. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for asset valuation for the purposes of the Asset Register.

2.10. The total value of an authority's assets recorded on the asset register as of 31 March each year is reported externally. The Board should be able to track and explain fully any changes in the asset register from year to year.