

# **AGENDA 10, Enc iv) ASSET REGISTER POLICY, CAPITALISATION THRESHOLD AND AGAR RESTATEMENT**

## **EXECUTIVE SUMMARY**

This report seeks Council approval to formalise the Council's Asset Register approach in line with the 2026/27 Practitioners' Guide.

The Council is required to adopt a clear and consistent methodology for recording assets, including setting a minimum value threshold for inclusion in the Asset Register. It is proposed that a £250 capitalisation threshold be adopted. This figure is aligned with the Council's insurance excess and reflects a proportionate, risk-based approach to asset management.

Under this approach:

- Assets valued at £250 or above will be recorded in the Asset Register
- Items below this threshold will be treated as revenue expenditure, unless they are high-risk or operationally critical
- Gifted and community assets will continue to be recorded at a nominal value of £1

To ensure compliance and consistency, the RFO will undertake a review and update of the Asset Register, applying the approved methodology. This will result in a restatement of the total asset value reported in AGAR Box 9, reflecting changes in accounting treatment rather than any physical change in assets held.

A restated comparative figure for 2024/25 will be prepared to provide transparency and ensure that future year-on-year changes reflect only actual asset additions, disposals, or enhancements.

This represents a one-off adjustment to align with proper practices. Moving forward, the RFO will apply the methodology consistently, with the threshold subject to annual review and approval.

The proposal strengthens financial governance, improves audit transparency, and ensures the Council's asset reporting is robust, proportionate, and fully compliant.

## **1. PURPOSE OF THE REPORT**

To seek Council approval for:

1. The adoption of a minimum capitalisation threshold for the Asset Register.
2. A formal methodology and rationale in line with the 2026/27 Practitioners' Guide.
3. The restatement of asset values (AGAR Box 9) to ensure compliance with proper practices.
4. The ongoing approach to ensure consistency and transparency in future years.

## **2. BACKGROUND**

The 2026/27 Practitioners' Guide sets out updated expectations regarding the management and recording of fixed assets (Section 5.57–5.69).

The Asset Register forms a critical part of the Council's governance framework by:

- Facilitating effective control over assets
- Supporting financial planning and decision-making
- Providing the basis for insurance cover
- Supporting the figure reported in Box 9 of the AGAR

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Authorities are required to:

- Record assets at purchase cost (or £1 for gifted/community assets)
- Apply a consistent and reasonable valuation methodology
- Set and minute a minimum threshold for capitalisation
- Be able to fully explain variances year-on-year

### **3. CURRENT POSITION**

From April 2022, the Council has:

- Recorded assets at cost
- Recorded gifted/community assets at £1
- Not applied a formally minuted minimum capitalisation threshold
- Reported total asset values annually in AGAR Box 9

However, the Practitioners' Guide now requires clearer:

- Policy definition
- Threshold justification
- Consistency of treatment
- Transparency in any restatement of figures

### **4. PROPOSED CAPITALISATION THRESHOLD**

It is proposed that the Council adopts a minimum value threshold of £250 for inclusion in the Asset Register.

The proposed threshold has been determined using a risk-based and proportionate approach, taking into account:

#### **4.1 Insurance Considerations**

- The Council's insurance excess is £250
- Items below this value would not normally be subject to individual insurance claims
- Therefore, recording such items as fixed assets provides limited additional control

#### **4.2 Risk Management**

- Assets above £250 represent a material financial and operational risk
- These assets warrant formal recording, monitoring, and accountability

#### **4.3 Useful Life**

- Assets above this threshold are more likely to:
  - Have a useful life exceeding one year
  - Contribute to ongoing service delivery

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### **4.4 Proportionality**

- A lower threshold would:
  - Create unnecessary administrative burden
  - Not materially improve governance or control

### **5. EXCEPTIONS (RISK-BASED APPROACH)**

Regardless of value, items will be recorded (either in the Asset Register or a supporting inventory) where they are:

- High risk (e.g. theft-prone items such as IT equipment or tools)
- Operationally critical
- Sensitive (e.g. data-holding devices)
- Required for insurance purposes

### **6. TREATMENT OF ASSETS**

In line with the Practitioners' Guide:

- Assets will be recorded at purchase cost
- Gifted or community assets will be recorded at £1
- Assets under construction will only be recorded when:
  - Complete
  - Brought into use
- Obsolete or disposed assets will be clearly identified

The Council will not apply depreciation or revaluation, in accordance with proper practices.

### **7. RESTATEMENT OF AGAR BOX 9 FIGURES**

#### **7.1 Requirement to Restate**

To ensure full compliance with the 2026/27 Practitioners' Guide, it is necessary to:

- Review the existing Asset Register
- Apply the newly approved methodology consistently
- Restate prior year figures where appropriate

#### **7.2 Proposed Approach**

It is recommended that the Council:

1. Restates the Asset Register total for 2025/26, applying:
  - The £250 threshold
  - Correct treatment of all asset categories

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2. Presents a restated comparative figure for 2024/25, clearly identifying:
  - The original reported value
  - The revised value
  - The reason for the adjustment
3. Clearly minute that:
  - The changes are due to methodology compliance, not new acquisitions or disposals

### **7.3 Impact on Future Reporting**

Following restatement:

- Future year variances in AGAR Box 9 will reflect only:
  - Additions
  - Disposals
  - Enhancements
- Variances will no longer arise from changes in methodology, ensuring:
  - Transparency
  - Audit clarity
  - Consistency year-on-year

### **8. ONGOING REVIEW**

The Council will:

- Review the £250 threshold annually
- Consider:
  - Changes in insurance excess
  - Inflation/materiality
  - Risk profile of assets

The review and any amendments will be formally minuted.

### **10. FINANCIAL AND GOVERNANCE IMPLICATIONS**

- Ensures compliance with proper practices
- Strengthens audit assurance
- Improves risk management and asset control
- Provides clear justification for AGAR reporting

### **11. RECOMMENDATIONS**

Council is requested to:

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1. Approve a minimum capitalisation threshold of £250 for the Asset Register
2. Approve the methodology and rationale as set out in this report
3. Approve the restatement of Asset Register totals for:
  - 2025/26 (current year)
  - 2024/25 (comparative year)
4. Note that future AGAR Box 9 values will:
  - Be prepared on a consistent basis
  - Reflect only actual asset changes
5. Agree that the threshold and methodology will be:
  - Reviewed annually
  - Recorded in Council minutes

### **12. CONCLUSION**

The adoption of a clear, risk-based threshold aligned to the Council's insurance arrangements provides a robust, proportionate, and auditable framework for asset management.

The proposed restatement ensures that the Council is fully compliant with the latest Practitioners' Guide and establishes a consistent baseline for future financial reporting.