

# Fixed Asset & Depreciation Policy

April 2021

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## **INTRODUCTION**

The purpose of this Fixed Asset and Depreciation Policy is to ensure that the Academy's balance sheet correctly reflects the assets and liabilities within the Academy. The policy defines the treatment of Current, Non-Current, Tangible and Intangible Fixed Assets.

A Fixed Asset Register is maintained and reconciled to the Financial statements of the Academy. The policy is written in accordance with Accounting Standard FRS 102 Tangible Fixed Assets.

## **DONATED FIXED ASSETS**

Where the donated goods is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably. In which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy's accounting policies.

## **INTANGIBLE FIXED ASSETS**

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost of value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- Software licenses – over the useful life of the individual licence

## **TANGIBLE FIXED ASSETS**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life.

Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet.

## **FIXED ASSET REGISTER**

The Fixed Asset Register consists of a list of items (or specific group of items purchased within the accounting period) valued over £1,000 that are considered to have a life longer than the financial year in which they were purchased.

Capitalised assets are not necessarily bought on one order; so long as a group of items is purchased within the same accounting period they will be capitalised.

Fixed Assets are categorised as follows:

- Land and Buildings
- Equipment
- Furniture and Fittings
- Computer Equipment (Hardware and Software)
- Assets under construction

Assets excluded from the Fixed Asset Register are current assets and stock. Current assets include cash and bank balances which are controlled through reconciliation to control accounts on a regular basis.

The appropriate accounting transactions are processed for all capitalised assets and recorded on the Fixed Asset Register.

The auditors undertake an ad hoc physical count against the Fixed Asset Register annually for furniture and equipment and termly for ICT equipment. Discrepancies between the physical count and the registers are investigated promptly by the specific department. Any discrepancies over the value of £500 are reported to the Headteacher and Finance Manager.

All working papers for the purchase of Assets, including purchase orders, quotations, invoices etc. are kept for 7 years.

## **DEPRECIATION**

Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- |                                    |                 |
|------------------------------------|-----------------|
| • Land                             | Not depreciated |
| • Freehold buildings               | 50 years        |
| • Long leasehold buildings         | 50 years        |
| • Fixtures, fittings and equipment | 5 years         |
| • ICT Equipment                    | 3 years         |

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

The Academy's land and buildings are occupied on a 125-year lease from the local authority. In the view of the trustees, the risks and regards of occupying the site have been substantially transferred to the trust and therefore the land and buildings have been recognised as a donation on conversion and capitalised within the restricted fixed assets fund.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

The expected useful life of all assets will be assessed prior to depreciation calculations and

recorded in the Fixed Asset Register.

## **ASSET DISPOSAL PROCEDURE**

Where assets carry a monetary value, the best possible value will be obtained from the disposal of those assets. Assets disposed of up to £1,000 must be approved by the Headteacher, above £1,000 by the Resources Committee and above £5,000 by the Trust Board. A Disposal of Equipment from (Annex A) must be completed in all instances.

The Academy will take appropriate steps to ensure all ICT hardware is completely cleared of sensitive data and all electrical and electronic equipment is disposed of in line with the Waste Electrical and Electronic Equipment (WEEE) Directive.

Disposal of equipment to staff is not encouraged as it may be more difficult to prove that the Academy obtains value for money. If computer equipment is disposed of, licences for software programmes must be legally transferred to the new owner. Pecuniary Interests must also be considered at all times.

Under the Funding Agreement the approval of the Secretary of State of Education is required before the sale, disposal or reinvestment of proceeds from the disposal of an asset (or specific group of assets) for which a Capital Grant in excess of £25,000 was originally paid. The Academy agrees to reinvest the proceeds from all asset sales for which Capital Grant was received and therefore every effort will be made to maximise the sale of such assets.

If such proceeds are not reinvested, the academy will repay to the ESFA the same proportion of the proceeds of the sale or disposal as equates to the proportion of the original cost met by the Secretary of State (i.e. if the Secretary of State purchased 50% of the original cost of the asset the Academy agrees to repay 50% of the proceeds).

The proceeds from the sale of assets acquired with a grant from the Secretary of State cannot be used to contribute to further named grant-aided projects or purchases. All disposal of land must be approved in advance by the Secretary of State.

## DISPOSAL OF ASSET FORM

Item Name or Type			
Item Description			
Reason for Disposal			
Broken	Surplus to Requirements	Irreparable	Other (please state)
Residual Value			
There is no Residual Value			
The Residual Value is £			
Agreed Action:			
Disposal (broken or irreparable)		Disposal By:	
<i>In relation to computer equipment, all data and hardware must be completely cleared of sensitive data. In addition, the Waste Electrical &amp; Electronic Equipment (WEEE) directive has been complied with.</i>			
Sale (item has residual value)		Minimum Value sought:	
£			
<i>Where attempts to sell an item have been unsuccessful, permission to lower the asking price should be sought from the Finance Manager. Permission to drop the asking price below the minimum value sought should be obtained from the Headteacher.</i>			
Authorisation			
Signed by the chair of Resources Committee:			
Date:			

## OFFICE USE ONLY

Value obtained for item:	
Date item sold:	
Date removed from Fixed Asset Register:	
Date Income paid in to Income Code:	