

Fixed Asset Policy



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Version and Date		Action/Notes	Date Written	Date to be Reviewed
3.0	12.12.17	Approved by the Board of Trustees	02.11.17 Reviewed	3 Years – 2020
4.0	03.12.19	Approved by the Board of Trustees	Updated Nov 19	3 Years – 2022
5.0	30.03.21	Approved by the Board of Trustees	Updated 09.03.21	3 Years - 2024

Lead Person: Finance Director

1. Introduction

1.1 The purpose of this policy is:

1.1.1 To provide guidance when dealing with capital expenditure and the purchase and disposal of fixed assets (as defined below); and

1.1.2 To provide guidance on other aspects of fixed asset accounting such as depreciation and revaluation.

2. Definitions

- 2.1 Accumulated Depreciation** The total accumulated amount charged to the income and expenditure account to reflect the use of the asset by the business, over its useful economic life.
The value of the Fixed Asset on the Balance Sheet will be reduced over the useful life of the asset.
- 2.2 Capitalisation** The addition to the balance sheet of an amount in respect of an asset which has come into the possession of the school, whether through purchase or donation of a Gift in Kind.
- 2.3 Carrying Amount/ Net Book Value** The purchase cost (or valuation) of a fixed asset less the accumulated depreciation of that fixed asset.
- 2.4 Depreciation** The charge made to the income and expenditure account each month to reflect the use of the asset by the business during that period.
- 2.5 Fixed Assets** A Fixed Asset is an asset that has a useful life greater than one year. This includes land, buildings, office furniture and equipment (e.g. air conditioning, heating systems), vehicles, IT equipment and other classroom equipment. These are included in the School's Balance Sheet.
- 2.6 Fixed Asset Register** Consumables which are used on a daily basis are not Fixed Assets. An inventory of all the fixed assets which must include date purchased, the depreciation rate, net book values and depreciation.
- 2.7 Grant** Funds given to the School by a third party, subject to complying with any terms and conditions attached to the grant, to purchase unspecified fixed assets.
- 2.8 Recoverable Amount** The cash proceeds received when an asset is disposed.

3. Categories of Fixed Assets

This list describes the categories of fixed assets most commonly used by the School. It is not exhaustive and other categories may be added but only with the approval of the Finance Manager.

3.1	Freehold and Long Leasehold Buildings	The cost of acquiring freehold and long leasehold land and buildings. It includes all external costs incurred as part of the acquisition such as legal and professional fees as well as other costs such as building costs which are necessary in order to bring the asset into use.
3.2	Fixtures and Fittings	Items such as shelving, fixed or free-standing, soft furnishings and general furniture such as chairs, desks which will last a number of years but not as long as the building in which they reside.
3.3	Plant and Equipment	Items such as air conditioning, lifts, heating system, diesel generators, etc and classroom equipment which will be used for several years.
3.4	Motor Vehicles	Minibus
3.5	Leasehold improvements	Costs of enhancements (not repairs and renewals), which significantly extend the life of the leasehold and would not be carried out on a regular basis (e.g. building improvements).

4. Criteria for Capitalisation of Assets

4.1 Expenditure eligible for capitalisation:

4.1.1 Authorised and approved expenditure for an item which meets the definition of a fixed asset, and exceeds £1000, should be identified and flagged as a fixed asset. The asset should be recognised on the Balance Sheet.

4.1.2 The cost of the Fixed Asset should include the cost of the asset and any other costs directly attributable in bringing the asset into a condition where School staff can use it. Such costs include, but should not be limited to:

4.1.2.1 Costs of external consultants whose work is directly attributable to the implementation of the asset.

4.1.2.2 Costs of enhancements (not repairs and renewals), which significantly extend the life of the asset and would not be carried out on a regular basis (e.g. building improvements).

4.2 Expenditure not eligible for capitalisation:

4.2.1 Individual assets costing less than £5000, unless purchased in bulk as part of a capital project.

4.2.2 Cost of staff training as part of normal business activities.

4.2.3 Administration and general overheads for running day-to-day business activities.

4.2.4 Planning costs relating to initial activities such as option appraisals, feasibility studies, identifying appropriate hardware and applications and selecting suppliers and consultants.

4.2.5 Cost of abortive work.

4.2.6 Post implementation support and maintenance costs related to software installation.

5. Accounting Treatment (valuation in balance sheet)

5.1 Only costs eligible for capitalisation should be entered into the accounts.

5.2 Costs must be allocated against individual fixed assets

5.3 The cost of the asset includes the purchase price (including import duties and non-refundable taxes) and any other direct attributable costs of bringing the asset to working condition. Discounts received should be deducted from the total cost.

5.4 Expenditure on enhancing a fixed asset already recognised in the Balance Sheet should be added to the carrying amount where the expenditure meets the definition above (Section 4– expenditure eligible for capitalisation) for enhancements.

5.5 Fixed assets purchased with grant money must be clearly identified in the Fixed Asset Register.

6. Revaluation of Fixed Assets

6.1 Freehold and long leasehold land and buildings should be re-valued by independent valuers every five years.

6.2 Gains on revaluation of fixed assets must be credited to the relevant reserve as follows:

6.2.2 Land, Buildings and building improvements revaluations should be transferred to a designated Revaluation Reserve.

6.2.3 Losses on revaluation must be debited to the relevant reserve (revaluation, fixed assets revaluation reserve) to the extent that gains have previously been recognised and recorded.

7. Depreciation

7.1 Depreciation is charged against Fixed Assets over the expected useful life of the asset to reflect the usage of the asset over time.

7.2 The School uses the straight-line method of depreciation where the asset cost is written down in equal annual amounts over its expected useful life.

7.3 The period over which the asset is depreciated varies according to the category of the asset. The Finance Manager is responsible for allocating a useful economic life to each fixed asset where expenditure has been capitalised.

7.4 All tangible fixed assets, other than assets in progress must be depreciated as follows:

Type	Estimated Useful life
Freehold and long leasehold buildings	125 years
Building improvements	5-25 years
Fixtures and fittings	5 years
Plant and equipment	5 years
Motor vehicles	4-7 years
Computers and IT equipment	4 years

7.5 Depreciation will be charged from the month following the month in which a newly purchased asset comes into use.

7.6 Depreciation ceases to be charged in the month in which the asset is disposed.

8. Disposal of Fixed Assets

8.1 When a fixed asset is sold or otherwise disposed, a profit or loss may arise. This is the difference between the total sale proceeds, less the cost of disposing of the asset, and the net carrying amount of the asset.

8.2 The profit or loss arising on disposal should be recognised as follows:

8.2.1 Profits on disposal of fixed assets must be included in the income and expenditure account under "profit or loss on sale of fixed assets".

8.2.2 Losses on disposal of Fixed Assets must be treated as additional depreciation and included in the relevant account within the income and expenditure account.

8.2.3 Any asset that is lost or destroyed, and subsequently replaced through insurance proceeds, should be removed from the balance sheet. The profit or loss arising (the difference between carrying amount and insurance proceeds) must be recognised in the income and expenditure account under profit or loss on sale of fixed assets. The replacement asset is capitalised at cost in the normal way.

9. Advance Payments and Assets-In Progress

9.1 Advance payments for fixed assets must be recognised as advance payments at the time of payment. It should be reclassified to the appropriate fixed asset item once the goods or services for which the advance payment was made have been supplied.

9.2 Fixed assets which are not complete by the balance sheet date, but for which internal or external costs have already been incurred, must be recognised as assets-in-progress. Once the asset has been completed, the costs can be reclassified to the appropriate fixed asset category.

10. Custodial Review

10.1 The fixed asset register must be formally checked to the assets held at least once a year by the school and reported to the Trust to ensure compliance.

11. Monitoring

11.1 The application of this policy will be monitored by the Board of Trustees.

This Policy was reviewed by the Board of Trustees on a 3 yearly cycle and must be signed by the Chair of Trustees and Chief Executive Officer.

Signature of Chair of Trustees:

Signature of Chief Executive Officer: