



Fixed Asset, Depreciation and Capitalisation Policy

Committee	FAR
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Review Procedures

This Policy will be reviewed regularly and revised as necessary. Any amendments required to be made to the Policy as a result of a review will be presented to the Board of Trustees for acceptance.

Document / revision no.	Date	Status / Amendment	Approved by
1.0	05/10/2021	First Version	FAR - KF
2.0	04/10/2022	No changes	FAR - KF
3.0	27/2/24	Increase amount for capitalisation purposes to £3000	

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Tangible fixed assets

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Freehold land is not depreciated. Equipment inherited from the local education authority is included in the balance sheet at valuation. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life.

Tangible fixed assets acquired since the Academy was established are included in the accounts at cost.

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. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy set out below.

Assets costing less than **£3,000** are written off in the year of acquisition. All other assets are capitalised.

Depreciation

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Long term leasehold buildings	2% over 50 years (straight line)
Plant and machinery	10% over 10 years (straight line nil residual)
Furniture and equipment	10% over 10 years (straight line nil residual)
Computer equipment and hardware	33% over 3 years (straight line nil residual)

The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the Fixed Assets Register.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Asset Disposal Procedure

The best possible value will be obtained from the disposal of assets. Assets disposed of with a carrying amount (=cost less accumulated depreciation) above £1000 must be approved by the Finance Committee.

Equipment is not normally disposed of to staff because it is difficult to provide evidence that the Academy obtained value for money in the sale or scrapping of the equipment. If computer equipment is disposed of, licenses for software programmes must be legally transferred to the new owner. Pecuniary Interests must also be considered at all times.

Capitalisation

Expenditure eligible for capitalisation:

- Expenditure for an individual item which meets the definition of a fixed asset, and exceeds £3000, should be identified as a fixed asset and recorded on the school's balance sheet.
- The cost of a fixed asset includes the cost of the asset and any other costs directly attributable to bringing the asset into working condition. This may include:
 - The cost of consultants whose work is directly attributable to the asset's implementation.
 - The cost of enhancements which extend the life of the asset e.g. building improvements. This does not include repairs or renewals.

Expenditure ineligible for capitalisation:

- Individual assets costing less than £3000 unless procured in bulk as of a capital project.
- The cost of staff training.
- Administration and general running costs for day-to-day activities.
- Planning costs relating to activities such as feasibility studies, option appraisals etc.
- The cost of abortive work.
- Support and maintenance costs related to software

Attractive and portable items of equipment that fall below the capitalisation limit of £3,000 and over £100 are recorded on the Desirable Items Inventory

(eg single digital camera purchased for £250). Asset control is as for the assets held on the Fixed Asset Register.