FIXED ASSET DEPRECIATION POLICY

Date of ratification by trustees: **November 2024**
To be reviewed: **November 2025**

Contents

1. INTRODUCTION

1.1 The Academy will ensure that consistent principles are applied in respect of measurement, valuation and depreciation of tangible fixed assets and that sufficient information is disclosed in the financial statements to enable users to understand the impact of accounting policies

1.2 The IAS 16 (International Accounting Standard), defines Fixed Assets as “assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably”.

1.3 This policy defines the treatment of non-current, current, tangible and intangible fixed assets. Procedures are attached as annexes to the policy.

2 **FIXED ASSET REGISTER**

2.1 The fixed asset register is to be maintained electronically and consists of a list of items (or group of items purchased within an accounting period) valued over £1,000 or desirable items that are considered to have a life longer than the financial year they were purchased in.

2.2 Fixed assets are categorised as follows:

A Land and Buildings

B Equipment

C Furniture and Fittings

D Computer Equipment

E Assets under construction

F Motor Vehicles

2.3 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 the academy’s financial management accounting system (CMIS) on a regular basis.

2.4 The fixed asset register will be reconciled annually and discrepancies between the physical count and the register will be reported to the Finance Manager promptly for further investigation. Any discrepancies will be reported to the next Finance Committee meeting.

2.5 Prior approval for disposals of all assets recorded in the register will be sought from the Finance Committee and all items written off will be recorded. (See Appendix A for procedure)

3 CAPITALISATION

3.1 Fixed Assets costing less than £1,000 are written off in the year of acquisition. All other Fixed Assets in excess of this sum are capitalised on the balance sheet.

3.2 The academy operates a policy whereby all fixed assets greater than or equal to £1,000, will be assessed for capitalisation. In order for goods to be capitalised, they do not necessarily have to be purchased on one order; so long as the group of items are purchased within the same accounting period. Costs directly attributable to the construction of a tangible fixed asset and to bringing the asset into working condition for its intended use including Finance costs will be capitalised.

3.3 The appropriate accounting transactions will be recorded for all capitalised assets and recorded on the fixed asset register. Transactions will be recorded on the balance sheet and within the financial management accounting system.

4 DEPRECIATION

4.1 Depreciation of tangible fixed assets is calculated in a consistent manner and recognised as the economic benefits consumed over the expected useful life of the asset to reflect usage over time.

4.2 The depreciation will be calculated on an annual basis for preparation of the year end accounts.

4.3 Groups of assets will use the same method of depreciation. There may very occasionally be an asset that does not fit into one of the categories below and the Finance & Premises Committee will discuss these items on an individual basis.

ASSET GROUP	DEPRECIATION METHOD
Freehold/long leasehold buildings	2% per annum (50 years) straight line
Plant & machinery	10% per annum (10 years) straight line with nil residual value
Furniture and Equipment	10% per annum (10 years) straight line with nil residual value
Computer equipment & software	33% per annum (3 years) straight line with nil residual value
Motor Vehicles	25% per annum (5 years) reducing balance method

4.4 The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the fixed asset register.

4.5 Depreciation will be charged from the month following the month in which a newly purchased asset comes into use and will cease to be charged in the month in which the asset is disposed

APPENDIX A

Asset Disposal Procedure

1. The best possible value will be obtained from the disposal of fixed assets. The disposal of all assets recorded in the fixed asset register must be approved by the Finance & Premises Committee and reported to Trustees.

2. Approval for the disposal of assets must be sought from the Headteacher through the completion of the Disposal of Equipment form and reported to the Finance & Premises Committee on an annual basis.

3. The choice of disposal advertisement will be assessed against the cost of the advertisement and the value of the item to ensure that best value is obtained.

4. ICT related equipment is not usually 'sold' due to the difficulty of licence and software programme transfer rights. After the equipment has been 'cleaned' it may be disposed of in accordance with the process above.

5. The proceeds from all asset sales will be reinvested in the Academy.

DISPOSAL OF EQUIPMENT FORM - REQUEST FORM

Item to be disposed of	
Current Location	
Estimated value	
Reason for disposal	Broken / Surplus to requirements / Irreparable
Action to be taken	Disposal by sale / Disposal by removal / Stolen / Lost
Name ………………………… Signed ………………………… Date ………………..	

Finance use only			
Approval for disposal (FM to initial and date)		Grant received for purchase	Y / N
Nominal Code		Repayment to Secretary of State	Y / N
Cost Centre code		Value obtained for item	£ (cash / cheque)
Original cost		Reinvest to Nominal	
Accumulated depreciation		Reinvest to Cost Centre	
Carrying amount (Cost less depreciation)		Register updated (Initial and date)	

APPENDIX B

DEFINITIONS

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.

Capitalisation
The addition to the balance sheet of an amount in respect of an asset which has come into the possession of the Academy, whether through purchase or donation of a Gift in Kind.

Carrying amount/Net book value
The purchase cost (or valuation) of a fixed asset less the accumulated depreciation on that fixed asset.

Depreciation
The charge made to the income and expenditure account each month to reflect the use of the asset by the business during the period.

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 Academy's Balance Sheet. Consumables which are used on a daily basis are not fixed assets.

Fixed Asset Register
An inventory of all the fixed assets which must include date purchased, the depreciation rate, net book values and depreciation.

Grant
Funds given to the Academy by a third party, subject to complying with any terms and conditions attached to the grant, to purchase unspecified fixed assets.

Recoverable amount
The cash proceeds received when an asset is disposed.