Fixed Asset & Depreciation Policy

Updated: December 2022

Approved by Trustees: 19 January 2023

Review Date: January 2026

Statement of Intent

In order to ensure that the Elston Hall Learning Trust's balance sheet reflects the assets and liabilities of the Trust, the Trust Board has established an Asset Control Policy.

The purpose of this policy is to:

- Provide guidance for staff when dealing with the purchase and disposal of fixed assets.
- To provide guidance for staff on other aspects of fixed asset accounting such as depreciation and revaluation.
- To define the treatment of non-current, current, tangible and intangible assets.
- To provide a basis for a uniform and systematic approach to asset control.

The policy is to be used in conjunction with the Trust's Fixed Asset Register.

1. Definitions

1.1. Accumulated Depreciation

The total amount charged to the income and expenditure account to reflect the use of the asset by the school over its economic life. The value of the asset will reduce over the life of the asset.

1.2. Capitalisation

The addition to the balance sheet of an amount attributed to an asset which has come into the school's possession via purchase or donation.

1.3. Carrying Amount/Net Book Value

The purchase cost or valuation of a fixed asset less the accumulated depreciation on that fixed asset.

1.4. Depreciation

The annual charge made to the income and expenditure account to reflect the use of the asset during the period.

1.5. Fixed Assets

An asset that has a useful life greater than one year. Consumables used on a daily basis are not fixed assets.

1.6. Fixed Asset Register (FAR)

An inventory of all fixed assets including purchase dates, depreciation rates, net book values and depreciation.

1.7. Grant

Funds given to the school by a third party to purchase unspecified fixed assets.

1.8. Recoverable Amount

The proceeds received when an asset is disposed of.

2. Fixed asset categories

2.1. Freehold and long lease buildings

The costs of acquiring freehold and long leasehold land and buildings. This includes external costs, such as legal fees, in addition to other costs such as building costs.

2.2. Fixtures and fittings

Items, such as shelving, furnishings etc., which will last a number of years but not as long as the building in which they reside.

2.3. Plant and equipment

Items, such as air conditioning, lifts, heating systems etc., which will be used for many years.

2.4. Leasehold improvements

These are the costs of enhancements which significantly extend the life of the leasehold and would not be carried out on a regular basis.

3. Capitalisation of assets

3.1. Expenditure eligible for capitalisation:

Expenditure for an item which meets the definition of a fixed asset, and exceeds £1500, should be identified as a fixed asset, and be 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.

3.2. Expenditure ineligible for capitalisation:

Individual assets costing less than £1500, unless procured in bulk as part 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.

4. Accounting

4.1. Only costs eligible for capitalisation are entered into accounts.

4.2. Costs must always be allocated against individual fixed assets.

4.3. Discounts received should be deducted from the total cost.

4.4. Expenditure on enhancing a fixed asset already in the balance sheet should be added to the carrying amount, if the asset meets the capital expenditure criteria.

4.5. Fixed assets purchased with grant money should be clearly identified as such in the Fixed Asset Register.

5. Revaluation of assets

5.1. Revaluation of freehold and long leasehold land and buildings will take place every five years.

5.2. Any gains made on revaluation must be credited to the relevant reserve.

5.3. Land, building and building improvement revaluations are transferred to the Revaluation Reserve.

5.4. Losses on revaluation must be debited to the relevant reserve.

6. Depreciation of assets

6.1. Depreciation is charged against a fixed asset over its expected useful life. It is calculated on an annual basis by the Trust Business Manager and preparation for the end of year accounts.

6.2. The school uses the method of straight-line depreciation where the asset value is reduced in equal amounts annually.

6.3. The period of depreciation (the asset's useful life) varies according to the category of the asset. The Trust Business Manager is responsible for allocating a useful economic life to each asset where expenditure is capitalised.

6.4. Tangible fixed assets must be depreciated as follows:

Type	Estimated useful life	Depreciation method	Percentage
Freehold and long leasehold buildings	50 years	Straight line	2%
Building improvements	5-20 years	Straight line with nil residual value	Varied
Fixtures and fittings	5 years	Straight line with nil residual value	20%
Plant and equipment	5 years	Straight line with nil residual value	20%
Motor vehicles	5 years	Straight line with nil residual value	20%
Computers and IT equipment	4 years	Straight line with nil residual value	25%
Assets under construction	These are not depreciated until the asset is brought into use	N/A	N/A

7. Disposal of assets

7.1. The best possible value should be obtained from the disposal of assets. Assets with a carrying amount of above £1500 require approval from the Local Governing Body prior to disposal. A Disposal of Equipment Form is available in Annex A.

7.2. When an asset is disposed of or sold, a loss or profit may occur. The difference between the total sale proceeds, less the cost of disposing of the asset, and the net carrying amount of the asset is used to calculate the loss or profit.

7.3. The loss or profit should be recorded as follows:

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

Losses on disposal of fixed assets must be treated as additional depreciation and included in the relevant account.

Lost or destroyed assets replaced by insurance proceeds should be removed from the balance sheet. Any profit or loss must be recognised in the income and expenditure account under ‘profit or loss on sale of fixed asset’. The replacement asset is capitalised at cost in the normal manner.

8. Advanced payments and assets in-progress

8.1. Advance payments for fixed assets must be recorded at the time of payment. It should be reclassified to the appropriate fixed asset item once the goods or services have been supplied.

8.2. Fixed assets which are incomplete by the balance sheet date, but for which costs have already been incurred, must be recognised as ‘assets-in-progress’. Once completed, the costs are reclassified to the appropriate fixed asset category.

Annex A - Disposal of Equipment Form

Item to be disposed of:	
Reason for disposal (circle as appropriate):	Broken Surplus to requirements Irreparable Obsolete
Residual value (if appropriate):	
Action to be taken (circle as appropriate):	Disposal Sale
By whom:	
Signed:	
Date:	

Office use only

Value obtained for item:	
Ledger code:	
Fund:	
Original cost:	
Accumulated depreciation:	
Carrying amount:	
Grant received for original purchase (delete as appropriate):	Yes / No
Reinvested grant (if applicable):	
Repayment to Secretary of State	
Value repaid:	
Removed from fixed asset register(delete as appropriate):	Yes / No
Removal date:	