Fixed Asset & Depreciation Policy

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Applies to:	All staff in WHMAT
Approved by:	Board of Directors – TBA
Issued to MAT Academies for use:	
Review date	2 years from ratification by Board of Directors

Washwood Heath
Multi Academy Trust

Fixed Asset & Depreciation Policy

1. Purpose

1.1 The purpose of this policy is to establish the capitalisation, depreciation and disposal policy for tangible fixed assets held by the Trust. This will ensure that the company's Balance Sheet correctly reflects the net book value (NBV) of its tangible fixed assets.

1.2 The policy defines the treatment of tangible fixed assets (a.k.a. non-current assets).

2. Fixed Asset Register

2.1 The fixed asset register consists of a list of items purchased within an accounting period (from 1 September 2017) valued over £10,000 that are considered to have a useful economic life (UEL) of more than one year. This threshold applies to single items only with the exception of Information Communications Technology (ICT) assets which should be grouped. Fixed assets are categorised as follows:

a) Land and Buildings
b) Plant and Machinery
c) Furniture, Fixtures and Fittings
d) Computer Equipment
e) Vehicles

2.2 Any items that meet the definition of a fixed asset but are below the £10,000 capitalisation threshold, and are considered to be portable, valuable and desirable, shall be included on a separate inventory maintained by each academy.

2.3 The Fixed Asset Register will be maintained by the Head Office Finance team.

2.4 Transactions relating to the Fixed Asset Register will be recorded on the Trust's balance sheet and within the financial management accounting system.

2.5 The Fixed Asset Register should be reconciled at least annually to the financial management accounting system to ensure accountability.

2.6 Any discrepancies between the physical count and the register will be reported to the Audit Committee at the next available meeting.

2.7 All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial management accounting system.

3. Depreciation

3.1 Fixed assets are to be depreciated to reflect the recoverable amount in the financial statements, over the UEL of the asset.

3.2 Assets under construction are not depreciated, because depreciation is appropriate only when assets are in operational use.

3.3 Depreciation will be charged as a minimum on an annual basis for preparation of the year end accounts. If deemed appropriate it may also be charged monthly for the management accounts.

3.4 The depreciation charge will be calculated with a full charge being made in the period that the asset comes into use, regardless of the length of that period.

3.5 Groups of assets will use the same method of depreciation.

The Trust has determined the following depreciation rates, asset life and methods:

Asset Class	Depreciation Rate	UEL	Depreciation Method
Land: Freehold – not depreciated Leasehold – over term of lease	n/a 0.8 % per annum	n/a 125 yrs	n/a straight line
Buildings: Freehold – over UEL Leasehold – shorter of UEL or lease Improvements >£25,000	n/a 4% per annum 10% per annum	n/a 25 yrs 10 yrs	n/a straight line straight line
Plant & Machinery	10% per annum	10 yrs	straight line
Furniture, Fixtures and Fittings	20% per annum	5 yrs	straight line
ICT Equipment: Servers, projectors etc PCs, laptops etc	20% per annum 33.3% per annum	5 yrs 3 yrs	straight line straight line
Vehicles	20% per annum	5 yrs	straight line

3.6 If the useful life of the asset is determined to be significantly different to the time scales above, this will be reported to the Finance and Operations Group for a decision on the appropriate rate to apply to that particular asset.

3.7 Building improvements/site work (a.k.a. Leasehold Improvements) will be capitalised if they are additions, significant alterations or structural changes that cost over £25,000. They should enhance or extend the life of existing buildings.

3.8 Any building works that do not either enhance or extend the life of the buildings should be treated as maintenance works and charged as an expense for the period regardless of the value of the works.

4 Assets Under Construction

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

5 Capital Grants

5.1 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.

5.2 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 (SoFA) and carried forward in the Balance Sheet.

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

6 Impairment Reviews

6.1 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.

6.2 Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments.

6.3 Impairment losses are recognised in the Statement of Financial Activities (SoFA) as an expense.

7 Leased Assets

7.1 Rentals under operating leases are charged on a straight line basis over the lease term.

8 Disposals

8.1 Academy trusts may dispose of any fixed assets, other than land, buildings and heritage assets, without the approval of the Secretary of State for Education.

However, academy trusts must ensure that any disposal maintains the principles of regularity, propriety and value for money. This may involve public sale where the assets have a residual value.

8.2 Items which are to be disposed of by sale or destruction must be authorized for disposal by the Chief Executive Officer (CEO) and reported to the Finance and Operations Group and, where significant, should be sold following competitive tender.

8.3 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Academy would need to ensure licenses for software have been legally transferred to a new owner.

8.4 The Academy is expected to re-invest the proceeds from all asset sales for which capital grant was paid in other Academy assets. If the sale proceeds are not re-invested, then the Academy must repay to the Department for Education (DfE) a proportion of the sale proceeds.

8.5 All disposals of land, buildings and heritage assets must be agreed in advance with the Secretary of State for Education.