Trust Fixed Assets Policy

St. Francis of Assisi Catholic Academy Trust

Signed off by: Trust Board

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Contents

1. Introduction

1.1 The purpose of this policy is:

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

1.3 To provide guidance on other aspects of fixed asset accounting such as depreciation and accounting for Diocese owned Land and Buildings.

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 Trust, 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 Academy, 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 Trust 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, motor vehicles, IT equipment and other classroom equipment. These are included in the Trust's Balance Sheet.
2.6	**Fixed Asset Register**	An inventory of all the fixed assets which must include date purchased, cost of asset, the depreciation rate, net book values and depreciation.
2.7	**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.
2.8	**Recoverable Amount**	The cash proceeds received when an asset is disposed.
2.9	**Profit and loss on disposal**	The profit/loss of disposing a fixed asset. The profit or loss arising is the difference between the net book value of an asset and the proceeds received for disposal of the asset.

3. Categories of Fixed Assets

The following list describes the categories of fixed assets most commonly used by the Trust. It is not exhaustive and other categories may be added but only with the advanced approval of the Finance Director:

3.1	**Freehold and Long Leasehold Buildings**	The cost of acquiring freehold and long leasehold land and buildings. It includes al 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. **Only non-Diocese owned Land and Buildings are to be recorded as capital expenditure in the financial statements.**
3.2	**Furniture and equipment**	Items such as classroom furniture, lifts, machinery etc.
3.3	**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.
3.4	**Computer Equipment**	Items such as Desktops, Interactive White Boards, Laptops etc.
3.5	**Motor Vehicles**	Minibuses

4. Criteria for Capitalisation of Fixed Assets

4.1 The Fixed Asset Register consists of a list of items (or specific group of items purchased within the accounting period) valued over £2,000 that are considered to have a life longer than the financial year they were purchased in.

4.2 Expenditure eligible for capitalisation:

4.3 Authorised and approved expenditure for an item which meets the definition of a fixed asset, and exceeds £2,000, should be identified and flagged as a fixed asset. The asset should be recognised on the Academy's Balance Sheet.

4.4 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 Academy staff can use it. Such costs include, but should not be limited to:

4.4.1 Costs of external consultants whose work is directly attributable to the implementation of the asset (costs to bring asset into use).

4.4.2 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).

4.5 Expenditure not eligible for capitalisation:

4.5.1 Individual assets costing less than £2,000, unless purchased in bulk as part of a capital project.

4.5.2 Cost of staff training as part of normal Trust activities.

4.5.3 Administration and general overheads for running day-to-day Trust activities.

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

4.5.5 Cost of abortive work.

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

5. Accounting treatment for Fixed Assets

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 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 and correctly reflected in the Statement of Funds in the Financial Statements..

6. Leasehold Land and Buildings

6.1 All Land and Buildings used by the Trust are owned by the Diocese of Westminster. As a result of this no Land and Buildings are to be included on the Trust's balance sheet. Instead of recording the Land and Buildings in the Balance Sheet, the Trust will record a donation in kind adjustment in the Statement of Financial Activities to record the notional rent of using the Land and Buildings of the Diocese of Westminster.

6.1 No revaluation of Land and Buildings will be required as there is no such asset category to be included on the Trust's Balance Sheet.

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 and to ensure the net book value of the asset is accounted for correctly on the balance sheet.

7.2 The Trust 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 straight line period of depreciation is dependent on which category the fixed asset falls into. The Finance Director is responsible for allocating each Fixed Asset into the correct category and they are responsible for allocating a useful economic life to each fixed asset where expenditure has been capitalised.

7.4 All tangible fixed assets will be depreciated as follows:

Freehold Buildings	Depreciate over 125 years straight line
Long Leasehold Buildings	Depreciate over the term of the lease straight line
Furniture and Equipment	
- Classroom furniture	10 years Straight line
Fixtures and Fittings	10 years Straight line
Computer Equipment	
- Desktops	3 years Straight line
- IWB	10 years Straight line
- Laptops	3 years straight line
Motor Vehicles	8 years Straight line

7.5 Depreciation will be charged on tangible fixed assets from the month that the assets are brought into use.

7.6 Depreciation will cease to be charged from the month that a tangible fixed asset is disposed. Depreciation will also cease to be charged once the net book value of the asset is £Nil.

8. Disposal of Fixed Assets

8.1 When a fixed asset is sold or otherwise disposed, a profit or loss on disposal may arise. This profit or loss is the difference between the sales proceeds, less the cost of disposing the asset less the net book value of the asset at the time of disposal.

8.2 Profit/(loss) on disposal will be calculated at the time when a Fixed Asset is disposed.

8.3 The profit or loss on disposal of a fixed asset should be recognised in the financial statements as follows:

8.3.1 Profits or losses on the disposal of fixed assets must be included in the income and expenditure account under "profit or loss on sale of fixed assets" in Access (Finance software).

8.3.2 Any asset that is lost or destroyed, and is 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 in Access. The replacement asset should then be capitalised at cost in the normal way and depreciated from the month the asset is brought into use.

9. Advanced payments and Assets in progress

9.1 All advance payments for fixed assets must be recognised as advanced payments at the time of payment. The payments should be recognised in prepayments and the prepayment should then be reclassified as a fixed asset addition by reversing the prepayment against additions when the asset is brought into use. All assets will depreciate from the point they are brought into use.

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 prepayments. Once the fixed asset has been completed, the costs can be reclassified to the appropriate fixed asset category. The addition will then be processed in the same accounting period that the asset came into use.

10. Intangible Assets

10.1 The Trust will not capitalise expenditure relating to intangible assets such as Software and as a result no amortisation will be calculated on this asset type.

11. Review process

11.1 The Fixed Asset Register must be updated throughout the year by the Academy Finance Leads and the consolidated Fixed Asset Register is to be formally checked against the assets held by the Trust at least once a year by the Chief Finance Officer and reported to the Trust Board and the External Auditors. The Finance Leads is each Academy will be required to assist with keeping the IT assets up to date on the Fixed Asset Register. All additions will be processed as they arise and depreciation will be posted at year end.

12. Monitoring of policy

12.1 The application of this policy will be monitors by the Trust Board.

This Policy is to be reviewed every 3 years unless there are exceptional adjustments to depreciation policy rates or capitalisation limits and must be approved by the Trust Board.