

Fixed Asset Policy

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1.0 Policy statement

Dixons Academies Charitable Trust Limited (the Trust) has established a Fixed Asset Policy in order to ensure that the Trust's balance sheet reflects the assets and liabilities of the Trust.

2.0 Scope and purpose

The policy is in line with the Academies Financial Handbook, in particular reference to the disposal of assets.

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 Capital Expenditure Procedures and Fixed Asset Register.

3.0 Definitions

- 3.1 Accumulated depreciation: The total amount charged to the income and expenditure account to reflect the use of the asset by the academy over its economic life. The value of the asset will reduce over the life of the asset.
- 3.2 Capitalisation: The addition to the balance sheet of an amount attributed to an asset which has come into the academy's possession via purchase or donation.
- 3.3 Carrying amount / net book value: The purchase cost or valuation of a fixed asset less the accumulated depreciation on that fixed asset.
- 3.4 Depreciation: The monthly charge made to the income and expenditure account each month to reflect the use of the asset during the period.
- 3.5 Fixed assets: An asset that has a useful life greater than three years. (Consumables used on a daily basis are not fixed assets.)
- 3.6 Fixed asset register (FAR): An inventory of all fixed assets including purchase dates, depreciation rates, net book values and depreciation.
- 3.7 Grant: Funds given to the academy by a third party to purchase unspecified fixed assets.
- 3.8 Recoverable amount: The proceeds received when an asset is disposed of.

4.0 Fixed asset categories

- 4.1 Freehold and long lease buildings: (the costs of acquiring freehold and long leasehold land and buildings)
- legal fees
 - building costs
- 4.2 Fixtures and fittings: (items which will last a number of years but not as long as the building in which they reside)
- shelving
 - furnishings
- 4.3 Plant and machinery: (items which will be used for many years)
- air conditioning
 - lifts
 - heating systems
- 4.4 Vehicles: (vehicles owned or leased by the academy)
- minibus
- 4.5 Leasehold improvements: (the costs of enhancements which significantly extend the life of the leasehold and would not be carried out on a regular basis)
- interior walls
 - ceilings
- 4.6 IT Equipment
- hardware including laptops, printers, white boards etc.
 - software of an expected useful life of over 1 year



5.0 Capitalisation of assets

5.1 Expenditure eligible for capitalisation:

- expenditure for an item which meets the definition of a fixed asset, and exceeds £500 and has a useful life of more than 3 years, should be identified as a fixed asset and recorded on the academy'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

5.2 Expenditure ineligible for capitalisation:

- individual assets costing less than £500, unless procured in bulk as part of a capital project. This is regardless of useful life. Example, a printer costing £200. However, these assets should still be tagged for security reasons
- 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

6.0 Accounting

6.1 Only costs eligible for capitalisation are entered into accounts.

6.2 Costs must always be allocated against individual fixed assets.

6.3 Discounts received should be deducted from the total cost.

6.4 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.

6.5 Fixed assets purchased with grant money should be clearly identified as such in the FAR.

7.0 Revaluation of assets

7.1 The value of freehold and long leasehold land and buildings will be reviewed on a regular basis.

7.2 Any revaluations will be considered in conjunction with advice from external consultants and the auditors. Where revaluations are considered to be required gains will be credited to the relevant reserve.

7.3 Land, building and building improvement revaluations are transferred to the **revaluation reserve**.

7.4 Losses on revaluation will be debited to the relevant reserve.

8.0 Depreciation of assets

8.1 Depreciation is charged against a fixed asset over its expected useful life. It is calculated on a monthly basis by the Senior Financial Controller in preparation for the end of year accounts.

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

8.3 The period of depreciation (the asset's useful life) varies according to the category of the asset. The Senior Financial Controller is responsible for allocating a useful economic life to each asset where expenditure is capitalised.

8.4 Tangible fixed assets must be depreciated as follows:

Type	Estimated useful life	Depreciation method	Percentage
Freehold and long leasehold buildings	Dependant on term of lease	Straight-line	1.67% - 10%
Building improvements	5 to 20 years	Straight-line	Varied
Fixtures and fittings	5 to 10 years	Straight-line	10% to 20%
Plant and machinery	5 to 10 years	Straight-line	10% to 20%
Motor vehicles	4 years	Straight-line	25%
Computers and IT equipment	3 to 4 years	Straight-line	25% to 33%
Assets under construction	These are not depreciated until the asset is brought into use	N/A	N/A

9.0 Damage of assets by staff

- 9.1 In the event any assets are damaged or broken by staff, whether damaged accidentally or deliberately, the academy will only be able to request payment for the damage if the employee's contract states this will be the case.
- 9.2 If the contract does not state that the employee will need to cover any costs, then they will not be required to do so.
- 9.3 The academy may ask for a contribution towards the repair / replacement of the asset; however, there will be no requirement to pay.
- 9.4 Taking money out of pay cheques is prohibited, the staff member and academy will have agreed a salary, and deviation from this will be considered a breach of contract.
- 9.5 If there is reasonable evidence to believe the damage has been caused deliberately, the academy will treat this as a legal matter, and may receive compensation depending on the outcome of any legal proceedings.

10.0 Disposal of assets

- 10.1 The best possible value should be obtained from the disposal of assets. Assets with a carrying amount of above £200 require approval from the Head of Finance prior to disposal. A Disposal of Equipment Form is available in Appendix A.
- 10.2 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.
- 10.3 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

11.0 Advanced payments and assets in-progress

- 11.1 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.
- 11.2 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.

12.0 Monitoring and review

The effectiveness of the Fixed Assets Policy is monitored by the Head of Finance.



Appendix 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:	4 years
Date:	3 to 4 years

Finance 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:	

