



Asset Control Policy

Author: Mr Rob Watts – Trustee

Approved by Trust board: November 2022

Review date: Spring 2 - 2024

Contents

1. Policy statement and principles
2. Definitions
3. Fixed asset categories
4. Capitalisation of assets
 - 4.1. Expenditure eligible for capitalisation:
 - 4.2. Expenditure ineligible for capitalisation:
5. Accounting
6. Depreciation of assets Type
 - Estimated useful life
 - Depreciation method
 - Percentage
7. Damage of assets by staff
8. Disposal of assets
9. Advanced payments and assets in construction
10. Monitoring and review

Appendix A

Disposal of equipment form

1. Policy statement and principles

In order to ensure that the Trust's balance sheet reflects the assets and liabilities of the Trust, the Trust has established this Asset Control Policy.

The policy has the full approval of the Trustees and is reviewed on an annual basis.

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.

2. Definitions

- 2.1. 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.
- 2.2. 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.
- 2.3. Carrying amount/net book value: The purchase cost or valuation of a fixed asset less the accumulated depreciation on that fixed asset.
- 2.4. Depreciation: The monthly charge made to the income and expenditure account each month to reflect the use of the asset during the period.
- 2.5. Fixed assets: An asset that has a useful life greater than one year. (Consumables used on a daily basis are not fixed assets.)
- 2.6. Fixed asset register (FAR): An inventory of all fixed assets in accordance with the asset capitalisation policy; including purchase dates, depreciation rates, net book values and depreciation
- 2.7. Grant: Funds given to the school by a third party to purchase unspecified fixed assets.
- 2.8. Recoverable amount: The proceeds received when an asset is disposed of.

3. Fixed asset categories

- 3.1. Freehold and long lease buildings: (The costs of acquiring freehold and long leasehold land and buildings.)
- 3.2. Long leasehold Land
- 3.3. Leasehold improvements: (The costs of enhancements which significantly extend the life of the leasehold and would not be carried out on a regular basis.)
- 3.4. Fixtures and fittings: (Items which will last a number of years but not as long as the building in which they reside.)
- 3.5. Plant & Machinery: (equipment fittings, installations and apparatus. Including movable machinery such as grounds maintenance equipment).
- 3.6. Computers and IT hardware
- 3.7. Motor Vehicles: (Vehicles owned or leased by the school.)
- 3.8. Assets Under construction (Assets which are incomplete at the balance sheet date)

4. Capitalisation of assets

4.1. Expenditure eligible for capitalisation:

- 4.1.1. Expenditure for an item which meets the definition of a fixed asset, and exceeds £10,000, should be identified as a fixed asset and recorded on the school's I&E as "Assets to be capitalised" The £10,000 capitalisation applies to both individual items purchased, or blocks of items purchased together, which may be worth less than £10,000 individually, but where the total value exceeds £10,000.
- 4.1.2. 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.

4.2. Expenditure ineligible for capitalisation:

- 4.2.1. Individual assets costing less than £10,000, unless procured in bulk as part of a capital project.
- 4.2.2. The cost of staff training.
- 4.2.3. Administration and general running costs for day-to-day activities.
- 4.2.4. Planning costs relating to activities such as feasibility studies, option appraisals etc.
- 4.2.5. The cost of abortive work.
- 4.2.6. Support and maintenance costs related to software.

5. Accounting

The Trust's Fixed Asset register is held centrally and maintained by NVP Finance Team, it clearly identifies the academy the asset is held at.

- 5.1. Only costs eligible for capitalisation are entered into accounts, they should be recorded in the academy's I&E as assets to be capitalised and as such should be included in the school's budget.
- 5.2. Costs must always be allocated against individual fixed assets.
- 5.3. Discounts received should be deducted from the total cost.
- 5.4. 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.
- 5.5. Fixed assets purchased with grant money should be clearly identified as such in the FAR.
- 5.6. Prior to year end the individual academies should inform the NVP Finance Team of any assets purchased or disposed of during the year, this should include all details of the purchase and a copy of the purchase invoice.
- 5.7. The purchases will be added to the Trust's fixed asset register and depreciated in line with this policy

6. Depreciation of assets

- 6.1. Depreciation is charged against a fixed asset over its expected useful life. It is calculated annually by the NVP Finance Team in preparation for the end of year accounts.

- 6.2. The Trust 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 NVP Finance Team is responsible for allocating a useful economic life to each asset where expenditure is capitalised.

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%
Long leasehold land	125 years	Straight-line	0.8%
Plant & Machinery	15 year	Straight-line	6.67%
Leasehold improvements	10 years	Straight-line	10%
Furniture and equipment	10 years	Straight-line	10%
Computers & IT hardware	5 years	Straight-line	20%
Motor vehicles	5 years	Straight-line	20%
Computers and IT equipment	5 years	Straight-line	20%
Assets under construction	These are not depreciated until the asset is brought into use		

7. Damage of assets

- 7.1. In the event any assets are damaged or broken by staff, whether damaged accidentally or deliberately, the Trust will only be able to request payment for the damage if the employee's contract states this will be the case.
- 7.2. If the contract does not state that the employee will need to cover any costs, then they will not be required to do so.
- 7.3. The Trust may ask for a contribution towards the repair/replacement of the asset; however, there will be no requirement to pay.
- 7.4. In the event any assets are damaged or broken by pupils, whether damaged accidentally or deliberately the Trust may ask parents / guardians for a contribution towards the repair/replacement of the asset; however, there will be no requirement to pay.
- 7.5. Taking money out of pay cheques is prohibited, the staff member and Trust will have agreed a salary, and deviation from this will be considered a breach of contract.

- 7.6. If there is reasonable evidence to believe the damage has been caused deliberately, the Trust will treat this as a legal matter, and may receive compensation depending on the outcome of any legal proceedings.

8. Disposal of assets

- 8.1. The best possible value should be obtained from the disposal of assets. The disposal of any land and buildings requires the prior approval of the ESFA. Any other assets with a carrying amount of above £1,000 require approval from the Chief Financial Officer for the Trust prior to disposal. A disposal of Equipment Form is available in Appendix A.
- 8.2. 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.
- 8.3. The loss or profit should be recorded as follows:
- 8.3.1. Profits on disposal of fixed assets must be included in the income and expenditure account under 'profit or loss on sale of fixed assets'.
- 8.3.2. Losses on disposal of fixed assets must be treated as additional depreciation and included in the relevant account.
- 8.3.3. 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.

9. Advanced payments and assets in construction

- 9.1. 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.
- 9.2. Fixed assets which are incomplete by the balance sheet date, but for which costs have already been incurred, must be recognised as 'assets-in-construction'. Once completed, the costs are reclassified to the appropriate fixed asset category.

10. Monitoring and review

- 10.1. The effectiveness of the Asset Control Policy is monitored by the Chief Financial Officer and the Finance, Audit and Risk Committee.
- 10.2. The policy is reviewed annually by the Finance, Audit and Risk Committee .

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):	Disposal Sale
Action to be taken :	
By whom:	
Signed:	
Date:	