

# The Priestley Academy Trust



## Fixed Asset & Depreciation Policy

Implementation date	Revision Level	Adopted by Trust	Review Date	Responsible Person
December 2016	V3.0	December 2019	December 2020	CFO

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## Introduction

International Accounting Standard IAS 16 defines 'fixed assets' as 'assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably'.

The purpose of this Fixed Asset Policy is to ensure that the Academy's balance sheet correctly reflects the assets and liabilities of The Priestley Academy Trust.

The policy defines the treatment of non-current, current, tangible and intangible fixed assets. Procedures are attached as appendices to the Policy.

A Fixed Asset Register is maintained and reconciled to the financial statements of The PAT.

The Policy will be reviewed by the Finance and General Purpose Committee.

## Fixed Asset Register

- The Fixed Asset Register consists of a list of items (or specific groups 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
- Capitalised assets are not necessarily bought on one order; so long as a group of items is purchased within the same period they will be capitalised
- Fixed Assets are categorised as follows:
  - Land and buildings
  - Furniture, fittings and equipment
  - Computer equipment
  - Assets under construction
- Assets excluded from the Fixed Asset Register are current assets and stock. Current assets include cash and bank balances which are controlled through reconciliation to control accounts on a regular basis
- The appropriate accounting transactions are processed for all capitalised assets and recorded on the Fixed Asset Register. Transactions will be recorded within the Fixed Asset Fund account in addition to the transaction Balance Sheet
- All items that have been included on the Fixed Asset Register are security marked, where practicable, as the property of The PAT and have an asset number allocated
- All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial statements
- All working papers for the purchase of assets, including invoices, are retained in each school

## Depreciation

- Non-current assets are to be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset
- The depreciation will be calculated on an annual basis for preparation of the year end accounts

- Groups of assets will use the same method of depreciation. There may very occasionally be an asset that does not completely fit into one of the categories below and the Finance and General Purpose Committee will discuss these items on an individual basis.

<b>Asset Group</b>	<b>Depreciation Method</b>
Buildings and building modifications	2% over 50 years (straight line)
Plant and machinery	20% over 5 years (straight line nil residual)
Minibus	20% over 5 years (straight line nil residual)
Furniture and equipment	20% over 5 years (straight line nil residual)
Computer equipment/software	33% over 3 years (straight line nil residual)

- The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the Fixed Asset Register

## Appendix 1

### Asset Disposal Procedure

1. The best possible value will be obtained from the disposal of assets. Assets disposed of with a carrying amount (=cost less accumulated depreciation) above £500 must be approved by the Finance and General Purpose Committee and a Disposal of Equipment Form completed.
2. Equipment is not normally disposed of to staff because it is difficult to provide evidence that The PAT obtained value for money in the sale or scrapping of the equipment. If computer equipment is disposed of, licences for software programmes must be legally transferred to the new owner. Pecuniary interests must also be considered at all times.
3. Under the Academy Funding Agreement the approval of the Secretary of State is required before the sale, or disposal by other means, or reinvestment of proceeds from the disposal, of an asset (or specifically group of assets) for which a Capital Grant in excess of £20,000 was originally paid.
4. The PAT agrees to reinvest the proceeds from all asset sales for which Capital Grant was received and therefore every effort will be made to maximise the sale of such assets.
5. If such proceeds are not reinvested, The PAT will repay to the DfE the same proportion of the proceeds of the sale or disposal as equates to the proportion of the original cost met by the Secretary of State (ie if the Secretary of State purchased 50% of the original cost of the asset The PAT agrees to repay 50% of the proceeds).
6. The proceeds from the sale of assets acquired with a grant from the Secretary of State cannot be used to contribute to further named grant aided projects or purchases.

## Disposal of Equipment Form

The Finance and General Purpose Committee confirm its agreement to the disposal of:

The reason for the disposal is that the item is broken/surplus to requirements/irreparable (delete as appropriate).

There is/is not a residual value of the item.

Action to be taken (ie disposal/sale):

By (name):

I confirm:

- That all obsolete stocks of this item have been destroyed to ensure they are not illegitimately procured and then resold
- That all data and hardware has been completely cleared of sensitive data
- That the Waste Electrical & Electronic Equipment (WEEE) has been complied with

Signed:

Date:

Name:

Designation:

## Appendix 2

### Checklist for Purchase Procedure and Capitalisation

1. Is the asset purchased above the capitalisation value approved?  
If NO: normal purchase procedure is followed to record the transaction  
If YES: process journal entries to record the capitalisation transaction on the Balance sheet
2. Check the Fixed Asset Policy for the depreciation method.
3. Establish with the Chief Finance Officer the expected useful life of the asset and residual value.
4. Record the Asset on the Fixed Asset Register
5. Fixed Asset Register is to include:
  - Type and description of asset
  - Cost of asset
  - Budget holder of asset
  - Amount and date of any grant received
  - Proportion of grant used to finance the acquisition
  - Expected useful life of the asset
  - Date of disposal or change of use
  - Proceeds of disposal
  - Amount returned to SoS on disposal/change of use
  - Date of receipt of disposal proceeds or date of an approval to change the use
6. Security mark the asset as soon as practical