





EPA Fixed Asset Policy and Inventories

THIS POLICY WAS AGREED BY TRUSTEES ON (Date):	21 st November 2024
REVIEW DATE (every 3 years):	November 2027
CHAIR OF TRUSTEES:	
CEO:	

Introduction

The purpose of this policy is:

- to provide guidance when dealing with capital expenditure and the purchase and disposal of fixed assets (as defined below); and
- to provide guidance on other aspects of fixed asset accounting such as depreciation and revaluation.

Definitions

Accumulated Depreciation The total accumulated amount charged to the income and expenditure account to reflect the use of the asset by the business, 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.

Capitalisation The addition to the balance sheet of an amount in respect of an asset which has come into the possession of the School, whether through purchase or donation or gift in kind.

Net book value The purchase cost (or valuation) of a fixed asset less the accumulated depreciation on that fixed asset.

Depreciation The charge made to the income and expenditure account each month to reflect the use of the asset by the business during the period.

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 (e.g. air conditioning, heating systems), vehicles, IT equipment and other classroom equipment. These are included in the School balance sheet. Consumables which are used on a daily basis are not fixed assets.

Fixed Asset Register An inventory of all fixed assets which must include date purchased the depreciation rate, net book values and the depreciation.

Grant Funds given to the School by a third party, subject to complying with any terms and conditions attached to the grant, to purchase unspecified fixed assets.

Recoverable Amount The cash proceeds when an asset is disposed.

Categories of Fixed Assets

This list describes the categories of fixed assets most commonly used by Schools. It is not exhaustive and other categories may be added but only with the approval of the CFO.

Freehold and Long Leasehold Buildings

The cost of acquiring freehold and long leasehold land and buildings. It includes all 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.

EPA must seek and obtain prior written approval from the ESFA when acquiring or disposing of freehold land or buildings or heritage assets.

Assets under Construction

This relates to assets where the project has not been completed.

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.

Plant and Equipment

Items such as air conditioning, lifts, heating system, diesel generators and classroom equipment which will be used for several years.

Computer Equipment and Software

Cost of the computer hardware used throughout the School along with 'significant' software.

Accounting standards

International Accounting Standard (IAS) 16 defines Fixed assets as "asset whose future economic benefit is probably to flow into the entity, whose cost can be measured reliably". The balance sheet should correctly reflect the assets and liabilities of the Trust. The policy follows Accounting Standard FRS15 Tangible Fixed Assets.

Criteria for Capitalisation of Assets

Expenditure Eligible for Capitalisation

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 as such in the balance sheet.

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 school employees can use it. Such costs include, but should not be limited to:

- 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)
- costs of external consultants whose work is directly attributable to the implementation of the asset.

Note that capitalised assets are not necessarily purchased on one order, so the total value is used to assess threshold for capitalisation.

Expenditure Not Eligible for Capitalisation

- individual items costing less than £2,000, unless purchased in bulk as part of a capital project
- stock eg. stationery and food
- costs of staff training as part of normal business activities
- administration and general overheads for running day to day activities
- planning costs relating to initial activities such as option appraisals, feasibility studies, identifying appropriate hardware and applications and selecting suppliers and consultants
- cost of abortive work
- post implementation support and maintenance costs related to software installation

Fixed asset register

The fixed asset register must be maintained for all fixed assets belonging to each School and be formally checked to the assets held at least once a year by the CFO.

An inventory should also be maintained for each school, which will record Computer and other equipment and fixtures and fittings.

The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from DfE grant and % funded from other sources)
- depreciation
- current book value
- school location

The Asset Register helps to:

- ensure that staff take responsibility for the safe custody of assets
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
- to manage the effective utilisation of assets and to plan for their replacement
- help the external auditors to draw conclusions on the annual accounts and the School's financial system
- support insurance claims in the event of fire, theft, vandalism or other disasters.

All the items in the asset register should be permanently and visibly marked as the School's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Governing Body. Inventories of School property should be kept up to date and reviewed regularly. Where items are used by the School, but do not belong to it, this should be noted.

The responsibility for the safeguarding of equipment lies with the schools. The School provides security measures, including caretaker cover, burglar alarm systems, inventories, security marking, maintenance and support agreements where appropriate, and keeps the Trust informed re insurance cover.

Accounting Treatment (valuation in balance sheet)

The CFO is responsible for the accounting of assets in the balance sheet, utilising information held in the asset register so that only costs eligible for capitalisation should be entered into the accounts.

Costs must be allocated against individual fixed assets and should be the purchase price (including import duties and non-refundable taxes) and any other direct attributable costs of bringing the asset to working condition. Discounts received should be deducted from the total cost.

Expenditure on enhancing a fixed asset already recognised on the balance sheet should be added to the net book value where the expenditure meets the definition above.

Fixed assets purchased with grant money must be clearly identified in the fixed asset register.

Revaluation of Fixed Assets

The Trust does not routinely revalue Freehold and long leasehold land and buildings.

However, if an individual fixed asset is revalued, all other fixed assets in that class (e.g. all buildings) will need to be revalued at the same time and revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any gains on revaluation of fixed assets must be credited to the relevant reserve as follows:

- land and building revaluations should be transferred to a designated revaluation reserve
- losses on revaluation must be debited to the relevant reserve (revaluation, fixed assets revaluation reserve) to the extent that gains have previously been recognised and recorded

Depreciation

Depreciation is charged against fixed assets over the expected useful life of the asset to reflect the usage of the asset over time. The asset register is used to calculate the depreciation charge for each year.

EPA uses the straight line method of depreciation where the asset cost is written down in equal annual amounts over its expected useful life. The period over which the asset is depreciated varies according to the category of the asset. Depreciation will be charged from the month in which a newly purchased asset comes into use. Depreciation ceases to be charged in the month the asset is disposed.

The EPA has determined appropriate depreciation rates, based on the assessment of the useful economic life and expected residual value when the assets are acquired. Depreciation will be charged annually using the following straight line percentages:

- Leasehold land: 0%
- Leasehold buildings: 4%
- Assets under construction 0%
- Outdoor play areas 20%
- Furniture & equipment: 20%
- Computer equipment & software: 33.3%
- Motor vehicles: 20%

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 CFO will discuss these items on an individual basis with the auditors.

Disposal of Fixed Assets

EPA must ensure that any disposal achieves the best price that can reasonably be obtained, is in line with any relevant grant conditions, and maintains the principles of regularity, propriety and value for money. This can involve public sale where the assets have a residual value.

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Head Teacher and, where significant, should be sold following due process:

- taking reasonable steps to advertise the disposal
- inviting bids for the asset (sealed bids are preferable)
- negotiating with potential purchasers

Disposals must be reported to the Finance Manager prior to disposal and disposals over £5,000 need to be agreed by the FRC.

EPA may agree to give assets bought for a proper purpose, but which are no longer needed for the conduct of its business, to a charity, up to a maximum value of £1,000 per single donation. The residual value of assets is determined by the greater of the written down value or market value.

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

When a fixed asset is sold or otherwise disposed, a profit or loss may arise. This is the difference between the total sale proceeds, less the cost of disposing of the asset, and the net book value of the asset.

The profit or loss arising on disposal should be recognised as follows:

- profits on disposal of fixed assets must be included in the income and expenditure account under 'profit or loss on sale of assets'
- losses on disposal of fixed assets must be treated as additional depreciation and included in the relevant account within the income and expenditure account

Any asset that is lost or destroyed, and 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 and loss on sale of fixed assets. The replacement asset is capitalised at cost in the normal way.

EPA must seek and obtain prior written approval from the ESFA, for the following transactions:

- disposing of a freehold on land or buildings; and
- disposing of heritage assets beyond any limits set out in EPA's funding agreement in respect of the disposal of assets generally. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held

and maintained principally for their contribution to knowledge and culture, as defined in applicable financial reporting standards.

EPA may dispose of any other fixed asset (i.e. other than land, buildings and heritage assets as described above) without the approval of the Secretary of State.

Acquisitions of Assets

EPA must seek and obtain prior written approval from the ESFA, for the following transactions:

- acquiring a freehold on land or buildings
- disposing of a freehold on land or buildings
- disposing of heritage assets, as define in financial reporting standards, beyond any limits set out in EPA's funding agreement in respect of the disposal of assets generally.

Other than land, buildings and trust assets, the EPA may dispose of any other fixed asset without the ESFA's approval subject to achieving the best price that can reasonably be obtained, and maintaining the principles of regularity, propriety and value for money.

Some property transactions may be novel, contentious or repercussive and so require the prior consent of the ESFA on that basis.

- Novel transactions are those in which EPA has no experience, or are outside the range of normal business activity for EPA.
- Contentious transactions are those which might give rise to criticism of EPA by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.