Cumbria Education Trust

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Fixed Asset Policy

DOCUMENT CONTROL

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Please note that a record of the changes made to the original issue of this document can be found at Schedule 1 after any Appendices to the Policy/Procedure.

1. The purpose of this policy is:

- to ensure that the Balance Sheet correctly reflects the assets and liabilities of the individual academies within Cumbria Education Trust (CET/The Trust), and
- to provide guidance on aspects of fixed asset accounting such as the purchase and disposal of fixed assets, depreciation, and revaluation.

2. Introduction

2.1 Fixed assets are items of value which will be used for a long time such as land, buildings, office furniture and equipment (e.g. air conditioning, heating systems), vehicles, IT equipment and other classroom equipment. Such items are included on the balance sheet.

2.2 Assets which have a short life span and general consumables are not fixed assets.

2.3 This policy is written in accordance with appropriate accounting standards and reviewed annually.

2.4 A list of definitions used in this policy is attached as Appendix A.

3. Criteria for Capitalisation of Assets

3.1 Authorised and approved expenditure for an item which meets the definition of a fixed asset, requires a useful life greater than one year and exceeds £1,000. In such instances these assets should be identified and flagged as a fixed asset and recognised on the Trust's balance sheet.

3.2 The cost of the fixed asset should include the cost of the asset, whether through purchase or donation or gift in kind, and any other costs directly attributable in bringing the asset into a condition where the Trust can use it.

3.3 Such costs include, but should not be limited to:

- costs of enhancements (not routine 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.

3.4 Expenditure not eligible for capitalisation includes:

- individual items costing less than £1000, unless purchased in bulk as part of a capital project;
- 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.

4. Accounting Treatment (valuation on balance sheet)

4.1 Only costs eligible for capitalisation should be entered into the accounts. Costs must be allocated against individual fixed assets.

4.2 The cost of the asset includes the purchase price (including import duties and non- refundable taxes) or value of asset upon donation to the Trust and any other direct attributable costs of bringing the asset to working condition. Discounts received should be deducted from the total cost.

4.3 Expenditure on enhancing a fixed asset already recognised on the balance sheet should be added to the carrying amount where the expenditure meets the definition above.

5. Fixed Asset Register

5.1 The Trust's Fixed Asset Register consists of a list of items (or specific group of items purchased within the accounting period) valued over £1,000 that are considered to have a life longer than the financial year they were purchased in.

5.2 Capitalised assets are not necessarily bought on one order - so long as a group of items is purchased within the same accounting period they will be capitalised.

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

5.4 The fixed asset register is maintained centrally and must be formally checked to the assets held at least once a year by the Finance Team and verified by the Chief Financial Officer.

6. Managing ICT Assets

6.1 ICT assets must be traceable from purchase or donation through to sale or disposal for security and audit purposes. A separate IT asset register is maintained for this purpose. To manage this requirement the Trust operates a 'ICT Asset Label' system. This labelling system is controlled and operated by IT Services.

6.2 For the purpose of capitalisation of appropriate ICT assets, the Central Finance Team will exam all ICT purchases for capitalisation purposes and accounting adjustments made accordingly.

7. Revaluation of Fixed Assets

7.1 The value of freehold and long leasehold land and buildings of academies joining the Trust are adopted based on their values shown in their respective financial statements. The value of new builds are adopted based on the construction cost (excluding land value). Whilst the DfE undertake a desktop revaluation on a cyclical basis, the basis of these valuations are *not* adopted for accounting purposes.

7.2 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.

8. Depreciation

8.1 Depreciation is charged against fixed assets over the expected useful life of the asset to reflect the usage of the asset over time.

8.2 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 with nil residual value.

8.3 The period over which the asset is depreciated varies according to the category of the asset.

8.4 All tangible fixed assets, other than assets in progress, must be depreciated as follows:

Category	Type of Asses	Rate	Years	Months
A	Freehold Property	2%	50	600
B	Longterm Leasehold Property	2%	50	600
C	Fixtures and Fittings	15%	6.7	80
D	Computer Equipment	2%	5	60
E	Motor Vehicle	15%	6.7	80

8.5 Depreciation will be charged from the day in which a newly purchased asset comes into use.

8.6 Depreciation ceases to be charged in the month the asset is disposed.

8.7 Assets Under Construction are not depreciated until the asset is brought into use.

9. Disposal of Fixed Assets

9.1 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 carrying amount of the asset.

9.2 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.

9.3 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.

9.4 The Academy Trust Handbook provides precise guidance on disposal of assets. Fundamentally, the Trust must seek and obtain prior written approval from the Secretary of State, via the ESFA, for the following transactions:

- disposing of a freehold on land or buildings;
- disposing of heritage assets beyond any limits set out in the Trust'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.

9.5 The Trust must ensure that any disposal maintains the principles of regularity, propriety, and value for money. This may involve public sale where the assets have a residual value.

9.6 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Headteacher 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.

9.7 Other than land, buildings and heritage assets, trusts can dispose of other fixed assets without ESFA's approval subject to achieving the best price that can reasonably be obtained, and maintain the principles of regularity, probity and value for money.

9.8 The Trust 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.

9.9 The Trust is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other academy assets. If the sale proceeds are not reinvested, then the Trust must repay to the ESFA a proportion of the sale proceeds.

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

Appendix A

Accounting 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 Trust, whether through purchase or donation or gift in kind.

Carrying amount/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 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 on the balance sheet. Consumables which are used on a daily basis are not fixed assets.

Fixed Asset Register (Monitoring and Control of Fixed Assets)

The Fixed Asset Register is an inventory of all fixed assets which are held by the Trust. It is maintained by Central Finance and includes the details of all fixed assets on the balance sheet, including their date purchased, the depreciation rate, net book value and accumulated depreciation.

IT Services maintain a separate IT asset register of all ICT assets over £250. All such items are labelled with a unique asset number. Central Finance review this IT asset register periodically to ensure appropriate ICT assets are identified for capitalisation and reflected in the Trust’s Fixed Asset Register

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.

Recoverable Amount

The cash proceeds when as asset is disposed.

Categories of Fixed Assets

This list describes the categories of fixed assets most commonly used by academies. It is not exhaustive, and other categories may be added but only with the approval of the Chief Financial Officer.

- **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.

  The Trust must seek and obtain prior written approval from the Secretary of State, via the ESFA when acquiring a freehold on land or buildings.

- **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 Trust along with ‘significant’ software.

SCHEDULE 1

DOCUMENT CONTROL – RECORD OF CHANGES

Version Number:	Publication Date:	Nature of, and Reason for, Change(s)
001	March 2022	Original
002	March 2023	Reviewed and updated
003	October 2024	Reviewed and updated. Key changes are: (1) Clarified the identification of IT assets for capitalisation purposes (2) Ascertained the re/valuation of buildings brought onto the Trust's balance sheet
004	October 2025	Reviewed and minor amendments made to Section 8.