



## **St Thérèse of Lisieux Catholic Multi Academy Trust**

### **Fixed Asset Depreciation and Disposal Policy**

**October 2019**

<b>Audience:</b>	<b>Central Team and all other CMAT employees</b>
<b>Approved:</b>	<b>Directors – 14/10/2019</b>
<b>Policy Owner:</b>	<b>Louise Wilson – Chief Executive Officer</b>
<b>Policy Model:</b>	<b>Compliance – all CMAT academies use this policy</b>
<b>Review:</b>	<b>3 Yearly</b>
<b>Version Number:</b>	<b>1.0 (October 2019)</b>



## **Scope of this policy**

This policy applies to St Thérèse of Lisieux Catholic Multi Academy Trust (The Trust), and its constituent academies.

## **Objective of this policy**

The objectives of this policy are:

- to establish a capitalisation, depreciation and disposal policy for fixed assets held by The Trust;
- to ensure that The Trust's Balance Sheet correctly reflects the net book value of its fixed assets; and
- to ensure that the accounting treatment of Diocesan land and buildings is in line with directives issued by the Catholic Education Service.

Policies and procedures implemented by the Trust are there to control the organisation's exposure to risks in line with the Risk Policy and those identified within the risk register. All staff should be made aware of this and all policies of the Trust and the procedures in place including any updates issued from time to time. Should staff have any queries relating to this or any other policy or procedure they should write to the Trust's Governance Lead who will ensure adequate training and guidance is provided.

## **Ownership of this policy**

This policy is owned by The Trust's Finance & Estates Committee. Each academy will adopt this policy.

## **Monitoring of this policy**

This policy will be monitored on a day to day basis by the CMAT Estates, Facilities and Health & Safety Advisor and the Finance Director. The Trust's Annual Report and Accounts will provide a policy statement on the accounting treatment of fixed assets and the external auditors will report compliance against this policy.

## **Relevant legislation**

This policy is a requirement of the Academies Financial Handbook.

## **Related policies/documents**

Financial Procedures Manual



## Policy details

### 1 Definition

1.1 International Accounting Standard (IAS) 16 states that items of property, plant and equipment should be defined as Fixed Assets where:

- it is probable that the future economic benefits associated with the asset will flow to the entity, and
- the cost of the asset can be measured reliably

### 2 Fixed Asset Register

2.1 A Fixed Asset Register will be maintained for The Trust with entries for each academy. Overall responsibility for the recording and control of the fixed asset register rests with the Board of Directors who delegate the day to day management to the Estates Manager. The Finance Director will make any decisions related to accounting for and disposing of assets in line with this policy.

2.2 The fixed asset register consists of a list of items purchased within an accounting period valued over £5,000 that are considered to have a useful economic life (UEL) of more than one year. This threshold applies to single items only with the exception of IT Equipment and Furniture and Equipment which should be grouped. Fixed assets are categorised as follows:

- A** Land and Buildings
- B** Plant and Machinery
- C** Motor Vehicles
- D** Furniture and Equipment
- E** IT Equipment

2.3 Any items that meet the definition of a fixed asset but are below the £5,000 threshold, and are considered to be portable, valuable and desirable, shall be included on a separate inventory

2.4 Transactions relating to the Fixed Asset Register will be recorded on The Trust's balance sheet and within the financial management accounting system.

2.5 All fixed assets and inventory items should have a barcode/asset tag assigned which should be listed in the respective fixed asset or inventory records. Where appropriate, a security mark indicating the ownership of the property will be affixed to the asset.

2.6 The Fixed Asset Register will show how the item was funded.

2.7 The Fixed Asset Register should be reconciled at least annually to ensure accountability

2.8 Any discrepancies between the physical count and the register will be reported to the Finance & Estates Committee at the next available meeting.

2.9 All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial management system.

### 3 Capitalisation of Expenditure

3.1 Fixed Assets acquired during the period are included in the financial statements at cost.

3.2 Where fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful lives. The related grants are credited to the restricted fixed asset fund (in the Statement of Financial Activities and carried forward in the balance sheet) and the depreciation on the appropriate assets is charged to this fund such that the remaining carrying value of the grants at each year-end is represented by the net book value of the funded assets.



3.3 Assets under construction are accounted for at cost based on architects' certificates and other direct costs, incurred to 31 August. They are not depreciated until they are brought into use.

3.4 All fixed assets gifted to The Trust are recorded as income in the period in which the fixed asset was given. The value placed on gifts in kind will be a reasonable estimate of the market value or the amount The Trust would have been prepared to pay to purchase the asset.

3.5 A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

3.6 Individual items costing over £5,000 will be capitalised.

## 5 Catholic Education Service directive on accounting treatment of Church land and Buildings

5.1 The Catholic Education Service (CES) has agreed with ESFA that academy trusts do not recognise an asset in connection with a right to use church owned premises as The Trust occupies the land and premises under a licence and does not ultimately control the premises. The Trust will follow the accounting policies for land and buildings as set out in the Academies Accounts Directive 2018-2019 unless new directives are issued by CES, in which case the CES directives will be followed.

## 6 Depreciation

6.1 Fixed assets are to be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset.

6.2 Assets under construction are not depreciated, because depreciation is appropriate only when assets are in operational use.

6.3 Depreciation will be charged as a minimum on an annual basis for preparation of the year end accounts. If deemed appropriate it may also be charged monthly for the management accounts. Regardless of the frequency, the depreciation charge will be calculated.

6.4 Groups of assets will use the same method of depreciation. The Trust has determined the following depreciation rates, asset life and methods:

Category	Depreciation Rate	Asset Life	Method
Land:(see 5.1 above)			
Freehold – not depreciated	n/a	n/a	n/a
Leasehold – over term of lease	0.8% per annum	125 yrs	straight line
Buildings:(see 5.1 above)			
Freehold – over UEL	n/a	n/a	n/a
Leasehold – the shorter of UEL or lease term	4% per annum	25 yrs	straight line
Improvements > £25,000	10% per annum	10 yrs	straight line
Plant and Machinery	10% per annum	10 yrs	straight line
Vehicles	20% per annum	5 yrs	straight line
Furniture, fixtures and fittings	20% per annum	5 yrs	straight line
ICT Equipment:			
Servers	20% per annum	5 yrs	straight line
PCs, Laptops, tablets	33.3% per annum	3 yrs	straight line

6.5 If the useful economic life of the asset is determined to be significantly different to the time scales above, this will be reported to the Finance & Estates Committee for a decision on the appropriate rate to apply to that particular asset.

## 7 Disposal of Assets

7.1 Assets may be available for disposal for a number of reasons, for example:



- Beyond repair
- No longer complying with Health and Safety requirements
- No longer required due to changed procedures or functions
- Not capable of running required software
- No longer efficient or effective

7.2 All requests for disposal must be submitted to the Estates Manager who will report to the Finance & Estates Committee.

7.3 The best possible value must be obtained in the disposal of assets.

7.4 Acceptable methods of disposal are:

- Private Sale - To ensure a fair price is received, a market valuation should be obtained. The sale should be publicised appropriately, via advertising or e-mailing and sold at the best price offered.
- Donation to an appropriate organisation - All donations must be approved by the Estates Manager.
- Recycled or Destroyed - Items with no market value or no use to another organisation should be appropriately and safely destroyed.

7.5 All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial system (PS Financials).

7.6 To ensure confidential data remains secure, any ICT equipment which is sold or donated must have its hard disc erased and re-installed.

7.7. The recipient of any disposed equipment should be advised in writing that The Trust will not be liable for any Health and Safety issues surrounding the use of the equipment.

## **8 Loan of Assets**

8.1 Trust property held either at The Trust's offices or at one of the academies must not be removed from Trust/Academy premises without the authority of the Estates Manager for the Trust or the Headteacher of the academy.

8.2 A record of the loan must be recorded in a loan book and booked back to the Trust/Academy when it is returned.

## **9 Review**

9.1 This policy will be reviewed every three years.

### **Supporting Documents**

Academies Financial Handbook:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/714474/Academies\\_Financial\\_Handbook\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714474/Academies_Financial_Handbook_2018.pdf)

Academies Accounts Direction

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/795646/Academies\\_accounts\\_direction\\_2018\\_to\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795646/Academies_accounts_direction_2018_to_2019.pdf)

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