



# Education Trust

‘Inspiring the individuals of today, for a better society tomorrow,  
“Aspire, Belong, Collaborate”

## CAPITALISATION OF ASSETS AND DEPRECIATION POLICY

|                    |                            |
|--------------------|----------------------------|
| Review Frequency   | Annual                     |
| Reviewed           | July 2026                  |
| Next Review        | July 2026                  |
| Agreed by Trustees | 17 <sup>th</sup> July 2026 |



## INTRODUCTION

In [financial accounting](#), assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive [economic value](#) is considered an asset. In short, assets represent the value of [ownership](#) that can be converted into [cash](#).

There are two main types of assets, Intangible and Tangible. Tangible assets are analysed into subclasses including current assets and fixed assets. Fixed assets are those which are intended for use on a continuing basis in the entity's activities. Current assets include inventory, while fixed assets include items such as [buildings](#) and [equipment](#).

Where tangible 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 economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet.

Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

## PURPOSE

To ensure that:

- Consistent principles are applied to the initial measurement of tangible fixed assets.
- Where an entity chooses to revalue tangible fixed assets the valuation is performed on a consistent basis and kept up-to-date and gains and losses on revaluation are recognised on a consistent basis.
- Depreciation of tangible fixed assets is calculated in a consistent manner and recognised as the economic benefits are consumed over the assets' useful economic lives.



- Sufficient information is disclosed in the financial statements to enable users to understand the impact of the entity's accounting policies regarding initial measurement, valuation and depreciation of tangible fixed assets on the financial position and performance of the entity.

### POLICY STATEMENT

The academy will ensure consistent principles are applied in respect of measurement, valuation and depreciation of tangible fixed assets and that sufficient information is disclosed in the financial statements to enable users to understand the impact of the accounting policies.

### SCOPE

- The academy operates a policy whereby all fixed assets greater than or equal to £1,000, will be assessed for capitalisation.
- All items of capital expenditure must be approved as part of the academy's annual budgeting process. The Chief Finance Officer, who will confirm the budget approval, will advise school Finance Officer(s) and ensure that the expenditure is correctly accounted for.
- Capital assets will be depreciated annually and should be recorded no later than three months after the asset has come into use or been commissioned.
- Capitalised assets will be considered for impairment only if there is some indication that impairment has occurred.
- Costs that are directly attributable to the construction of a tangible fixed asset and to bringing the asset into working condition for its intended use including finance costs, will be capitalised. Such costs are those that would have been avoided only if the tangible fixed asset had not been constructed or acquired.

### RESPONSIBILITIES

- The Chief Finance Officer is responsible for managing this policy.
- All members of Finance staff are responsible for the effective operation of the Policy and Procedures.



## PROCEDURES

### **General**

- This capitalised asset and depreciation policy must be applied, in any given financial year, to any capital asset purchased, greater than or equal to the capital asset value threshold of £1,000.
- The threshold of £1,000 may be achieved through an individual purchase or a group of purchases. The grouping of assets generally falls within a narrow definition that is dependent on asset type and the level of risk attached to each asset. Grouping of assets, other than project work, should only be considered if part of an original purchase order. Capital expenditure on project work should be grouped.
- Grouping of assets should under normal operating circumstances exclude furniture items, as these are considered to be of low risk in value and possibility of theft. However, where under a major construction programme the expenditure related to new furniture is in excess of £20k, they should be grouped, capitalised accordingly, and depreciated over their useful economic life.
- The capital asset policy follows the relevant UK accounting standards; Financial Reporting Standard 102 (FRS102), Charities Statement of Recommended Practice (the SORP) and the Academies Accounts Direction (AAD).
- Where subsequent revisions to accounting standards or the SORP, or new Accounting Standards apply to accounting for fixed assets, their treatment should be considered under this policy.
- A fixed asset register will be maintained by the Chief Finance Officer, in accordance with the finance policy.
- In respect of portable assets, especially computer and audio visual equipment, it is the responsibility of the ICT Manager and ICT technician to maintain their own records as to the location of the assets and these records should be updated every time an asset is moved to another location to facilitate efficient asset verification.

### **Classification of assets**

#### Land and Buildings

Land – capitalised at cost.

Buildings – capitalised at cost, when brought into use.

Project work – capitalised at cost, but only when there is a material enhancement in excess of £10k to the asset and as such prolongs the life of the asset.

Repair and maintenance costs should be charged directly to the Income and Expenditure account.

#### Furniture, Fittings and Office Equipment

Capitalised at cost.



In the event of grouped purchases of such items, the total value is capitalised and written off over its useful economic life.

### Computer Software

Consultancy costs and other 'one off' initial costs should only be capitalised, if part of a project greater than or equal to £1,000. Computer software should only be capitalised if it enhances the operational life of the system and not as direct replacement of outdated software. The value will be in addition to the initial capital cost and therefore may be less than the £1k minimum capitalisation level. Software licences greater than or equal to £1k should be capitalised, providing the length of the licence is greater than three years. All software developed internally should be charged directly to the Income and Expenditure account.

### Computer Equipment

Individual PCs will not be capitalised, unless greater than £1,000 in value. Grouped PC purchases greater than or equal to £1,000 will be capitalised. Cabling and similar fittings will only be treated as capital, if considered as part of a major infrastructure upgrade, otherwise these should be considered as general repairs to the building infrastructure and therefore not capitalised.

### Website Development

Design and content development costs should be capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. Website planning costs and expenditure to maintain or operate a website once it has been developed should be charged to the income and expenditure account as incurred.

## **Depreciation**

- Depreciation should be based on the capitalised cost less estimated residual value spread evenly over the expected useful life of the asset/s. Basic straight-line depreciation applies.
- Assets are depreciated from the date the asset is brought into use. The depreciation charge is calculated on an annual basis.
- Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

|                                  |                            |
|----------------------------------|----------------------------|
| Land                             | Not depreciated            |
| Long term leasehold buildings    | 50-125 years straight line |
| Fixtures, fittings and equipment | 5 years straight line      |
| ICT equipment                    | 3 years straight line      |
| Motor Vehicles                   | 4 years straight line      |



## Useful Economic Life

- The useful economic life of a tangible fixed asset should be reviewed at the end of each financial year and revised if expectations are significantly different from previous estimates. If a useful economic life is revised, the carrying amount of the tangible fixed asset at the date of revision should be depreciated over the revised remaining useful economic life.

## Disposals

- The academy cannot dispose of any asset with a value of more than £1,000 unless it has the written permission from the Finance, Audit and Risk Committee. The Chief Finance Officer approves every proposed disposal of any academy asset regardless of value.

## Physical Inspection of Assets

- Tangible fixed assets should be physically verified on a regular basis. At least once per annum and will be the responsibility of the Chief Finance Officer throughout the year.
- When selecting the sample for verification, the sample should be taken from the asset register and traced back to the site holding the asset. Emphasis should be placed on high risk assets.
- An audit trail, plus results, should be retained for use by the academy's Internal and/or External Auditors.

## Compliance

- The academy must follow this policy and in particular the reference to the current Accounting Standards guidance, specifically Financial Reporting Standard 102 (FRS102), Charities Statement of Recommended Practice (the SORP) and the Academies Accounts Direction (AAD).

### REVIEW OF THE POLICY

The academy will not normally consider changes to these details unless there are exceptional circumstances.

Exceptional circumstances will be dealt with through the External Accountants and approved by the Trustees.

This policy should be reviewed annually and whenever changes are necessary.



## DETAILS OF AMENDMENTS

### **May 2020**

- Policy reviewed.

### **May 2022**

- Updated accounting references
- Updated depreciation rates
- Removed reference to revaluation of assets

### **July 2023**

- No changes

### **July 2024**

- No changes

### **July 2025**

- No changes

### **July 2026**

- No changes

