Ormiston Academies Trust

(Academy Name)  
Asset Management policy

Policy version control

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| Policy type | Mandatory |
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| Approved by | Jo Dawson |
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| Next release date | February 2023 |
| Description of changes | * Amendment to the useful economic life for motor vehicles so that it is in line with the depreciation rate. * Further clarification surrounding the need for academies to maintain an ICT asset inventory to ensure that our exposure limits are adequate for insurance purposes. * Inclusion of Appendix B for recording the ICT Asset Inventory * Purchasing capital items is done on the portal and the inter-academy charge has been removed. * Inclusion of Appendix C for academies to inform Head Office of any capital purchases to allow the assets to be capitalised correctly at Head Office. |

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1. Policy statement and principles

In order to ensure that the Trust’s balance sheet reflects the assets and liabilities of the Trust, the Trust has established this Asset Management Policy.

The purpose of this policy is to:

* Provide guidance for staff when dealing with the purchase and disposal of fixed assets.
* To provide guidance for staff on other aspects of fixed asset accounting such as depreciation and revaluation.
* To define the treatment of non-current, current, tangible and intangible assets.
* To provide a basis for a uniform and systematic approach to asset control.
* To provide clarification surrounding the ICT Asset Inventory requirements.

The policy is to be used in conjunction with the Trust’s Fixed Asset Register.

1. Definitions
   1. **Accumulated depreciation:** The total amount charged to the income and expenditure account to reflect the use of the asset by the school over its economic life. The value of the asset will reduce over the life of the asset.
   2. **Capitalisation:** The addition to the balance sheet of an amount attributed to an asset which has come into the school’s possession via purchase or donation.
   3. **Carrying amount/net book value:** The purchase cost or valuation of a fixed asset less the accumulated depreciation on that fixed asset.
   4. **Depreciation:** The monthly charge made to the income and expenditure account each month to reflect the use of the asset during the period.
   5. **Fixed assets:** An asset that has a useful life greater than one year. (Consumables used on a daily basis are not fixed assets.)
   6. **Fixed asset register (FAR):** An inventory of all fixed assets including purchase dates, depreciation rates, net book values and depreciation.
   7. **Grant:** Funds given to the school by a third party to purchase unspecified fixed assets.
   8. **Impairment:** Where the carrying amount of an asset on the fixed asset register exceeds the recoverable amount, the asset is considered impaired and its value needs to be adjusted. If the asset is damaged or has a part missing it is considered to be impaired.
   9. **Recoverable amount:** The proceeds received when an asset is disposed of.
2. Fixed asset categories
   1. Freehold and long lease buildings: (The costs of acquiring freehold and long leasehold land and buildings.)

* Legal fees
* Building costs
  1. Long leasehold Land
  2. Leasehold improvements: (The costs of enhancements which significantly extend the life of the leasehold and would not be carried out on a regular basis.)
* Interior walls
* Ceilings
  1. Fixtures and fittings: (Items which will last a number of years but not as long as the building in which they reside.)
* Shelving
* Furnishings
  1. Motor Vehicles: (Vehicles owned or leased by the school.)
* Minibus
  1. Assets Under construction (Assets which are incomplete at the balance sheet date)

1. Capitalisation of assets
   1. Expenditure eligible for capitalisation:
      1. Expenditure for an item which meets the definition of a fixed asset, and exceeds £**10,000**, should be identified as a fixed asset. The £10,000 capitalisation applies to both individual items purchased, or blocks of items purchased together, which may be worth less than £10,000 individually, but where the total value exceeds £10,000.
      2. The cost of a fixed asset includes the cost of the asset and any other costs directly attributable to bringing the asset into working condition. This may include:
      * The cost of consultants whose work is directly attributable to the asset’s implementation.
      * The cost of enhancements which extend the life of the asset e.g. building improvements. This does not include repairs or renewals.
   2. Expenditure ineligible for capitalisation:
      1. Individual assets costing less than £10,000, unless procured in bulk as part of a capital project.
      2. The cost of staff training.
      3. Administration and general running costs for day-to-day activities.
      4. Planning costs relating to activities such as feasibility studies, option appraisals etc.
      5. The cost of abortive work.
      6. Support and maintenance costs related to software.
2. Accounting
   1. The Trust’s Fixed Asset register is held centrally and maintained by the OAT head office finance team, it clearly identifies the academy at which the asset is held.
   2. Academies should identify in their annual budgets in nominal code 4000-100-200 “Capital Expenditure to be transferred to OAT” as the amount that they wish to spend on capital items each year. Only costs eligible for capitalisation should be included in this nominal code.
   3. Academies should purchase the fixed asset using the finance portal. The necessary quotes, in accordance with the procurement policy, should be uploaded to the portal to support the purchase.
   4. Costs must always be allocated against individual fixed assets.
   5. Discounts received should be deducted from the total cost.
   6. When a fixed asset is purchased Academies should complete Appendix C and return this to Head Office, who will then add the fixed asset to the register and depreciate in line with the policy.
   7. Expenditure on enhancing a fixed asset already in the balance sheet should be added to the carrying amount, if the asset meets the capital expenditure criteria.
   8. Fixed assets purchased with grant money should be clearly identified as such in the FAR.
   9. The fixed asset register should be reconciled to the nominal ledger on a monthly basis.
   10. A separate ICT Asset Inventory should be held at each academy. This should include all ICT assets held within the academy, including ones that are less than the capitalisation threshold, to ensure that our exposure limits are adequate for insurance purposes. Appendix B shows the template that will need to be completed for the initial creation of the inventory and then should be considered a working document that is updated each time an asset is purchased.

|  |  |  |  |
| --- | --- | --- | --- |
| Type | Estimated useful life | Depreciation method | Percentage |
| Freehold and long leasehold buildings | 50 years | Straight-line | 2% |
| Long leasehold land | 125 years | Straight-line | 0.8% |
| Leasehold improvements | 10 years | Straight-line | 10% |
| Furniture and equipment | 10 years | Straight-line | 10% |
| Motor vehicles | 6.5 years | Straight-line | 15% |
| Computers and IT equipment | 5 years | Straight-line | 20% |
| Assets under construction | *These are not depreciated until the asset is brought into use* | | |

1. Depreciation of assets
   1. Depreciation is charged against a fixed asset over its expected useful life. It is calculated monthly by the OAT head office finance team in preparation for the end of year accounts.
   2. The Trust uses the method of straight-line depreciation where the asset value is reduced in equal amounts annually.
   3. The period of depreciation (the asset’s useful life) varies according to the category of the asset. The OAT head office finance teamis responsible for allocating a useful economic life to each asset where expenditure is capitalised.
2. Damage of assets by staff
   1. In the event any assets are damaged or broken by staff, whether damaged accidentally or deliberately, the Trust will only be able to request payment for the damage if the employee’s contract states this will be the case.
   2. If the contract does not state that the employee will need to cover any costs, then they will not be required to do so.
   3. The Trust may ask for a contribution towards the repair/replacement of the asset; however, there will be no requirement to pay.
   4. Taking money out of pay cheques is prohibited, the staff member and Trust will have agreed a salary, and deviation from this will be considered a breach of contract.
   5. If there is reasonable evidence to believe the damage has been caused deliberately, the Trust will treat this as a legal matter, and may receive compensation depending on the outcome of any legal proceedings.
3. Disposal of assets
   1. The best possible value should be obtained from the disposal of assets. The disposal of any land and buildings requires the prior approval of the ESFA. Any other assets with a carrying amount of above £1000 require approval from the National Director of Finance for the Trust prior to disposal. A Disposal of Equipment Form is available in [Appendix A](#annexa).
   2. When an asset is disposed of or sold, a loss or profit may occur. The difference between the total sale proceeds, less the cost of disposing of the asset, and the net carrying amount of the asset is used to calculate the loss or profit.
   3. Academies should inform Head office of any disposals immediately. Head office will then update the fixed asset register accordingly.
   4. The loss or profit should be recorded as follows:
      1. Profits on disposal of fixed assets must be included in the income and expenditure account under ‘profit or loss on sale of fixed assets’.
      2. Losses on disposal of fixed assets must be treated as additional depreciation and included in the relevant account.
      3. Lost or destroyed assets replaced by insurance proceeds should be removed from the balance sheet. Any profit or loss must be recognised in the income and expenditure account under ‘profit or loss on sale of fixed asset’. The replacement asset is capitalised at cost in the normal manner.
4. Review assets for existence and impairment
   1. Assets should be reviewed on an annual basis to confirm their existence and also to check for any indicators of impairment. Appendix B should also be used to report signs of impairment on the ICT asset inventory.
   2. Where it is found that assets that have previously been capitalised no longer exist, head office should be informed in the first instance so that the asset can be disposed of from the fixed asset register.
   3. If assets are impaired, so are damaged or have a part missing and are therefore not working to full capacity then the academy should inform head office and a potential impairment charge will be reflected in the financial statements.
5. Advanced payments and assets in construction
   1. Advance payments for fixed assets must be recorded at the time of payment. It should be reclassified to the appropriate fixed asset item once the goods or services have been supplied.
   2. Fixed assets which are incomplete by the balance sheet date, but for which costs have already been incurred, must be recognised as ‘assets-in-construction’. Once completed, the costs are reclassified to the appropriate fixed asset category.
6. Monitoring and review
   1. The effectiveness of the Asset Management Policy is monitored by the Head of Compliance and Reporting
   2. The policy is reviewed annually.

Appendix A

Disposal of equipment form

|  |  |
| --- | --- |
| Item to be disposed of: |  |
| Reason for disposal (circle as appropriate): | Broken  Surplus to requirements  Irreparable  Obsolete |
|
|
|
| Residual value (if appropriate): |  |
| Action to be taken (circle as appropriate): | Disposal  Sale |
| By whom: |  |
| Signed: |  |
| Date: |  |

Office use only

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| --- | --- |
| Value obtained for item: |  |
| Ledger code: |  |
| Fund: |  |
| Original cost: |  |
| Accumulated depreciation: |  |
| Carrying amount: |  |
| Grant received for original purchase (delete as appropriate): | Yes/No |
| Reinvested grant (if applicable): |  |
| Repayment to Secretary of State: |  |
| Value repaid: |  |
| Removed from fixed asset register (delete as appropriate): | Yes/No |
| Removal date: |  |