



**The STAR**  
MULTI ACADEMY TRUST

## The STAR Multi Academy Trust

# FIXED ASSET, CAPITALISATION AND DEPRECIATION POLICY

<b>Issue No</b>	<b>Author</b>	<b>Date Written</b>	<b>Approved by Trustees on:</b>	<b>Comments</b>
V1	M Boyes	Oct 2018	Oct 2018	
V2	M Boyes	Nov 2018	Dec 2018	Depreciation Table not included in V1.
V3	M Boyes	May 2019	May 2019	Changes to capital amounts altered; SCA and DFC added
V4	M Boyes	January 2022	1 February 2022	Added Capitalisation Amounts in Section 3.4 ; Added Section 7 PE and Sports Premium.

## **1. Purpose**

1.1 The purpose of this Fixed Asset Policy is to establish a capitalisation, depreciation and disposal policy for tangible fixed assets held by The STAR Multi Academy Trust. This will ensure that the MAT's Balance Sheet correctly reflects the net book value (NBV) of its tangible fixed assets.

1.2 The policy defines the treatment of tangible fixed or non-current assets.

1.3 The policy details the allocation of grant funding, including SCA and Devolved Capital.

## **2. Fixed Asset Register**

2.1 The fixed asset register consists of a list of items purchased within an accounting period valued over £1,000 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 ICT assets which should be grouped. Fixed assets are categorised as follows:

- Land and Buildings
- Plant and Machinery
- Furniture, Fixtures and Fittings
- Computer Equipment
- Vehicles

2.3 Any items that meet the definition of a fixed asset but are below the £1,000 capitalisation 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 Academy Trust's balance sheet and within the financial management accounting system.

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

2.6 Any discrepancies between the physical count and the register will be reported to the Trust Resources Committee at the next available meeting.

2.7 All disposals of assets are recorded in the Fixed Asset Register and the appropriate transactions recorded in a written off book.

2.8 All accounting documentation for the purchase of assets is recorded in the Inventory books.

## **3 Depreciation**

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

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

3.3 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.

3.4 Groups of assets will use the same method of depreciation.

The Trust has determined the following depreciation rates, asset life and methods:

Description	Useful Life	Capitalisation Amount
Building Improvements	15	£10k
Furniture and Fixtures	5	£1k
Motor Vehicles	5	£1k
Computer Equipment and Software	5	£1k

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

3.6 Building improvements will be capitalised if they are significant alterations or structural changes that cost over £10,000.

#### **4 Disposals**

4.1 Academy trusts may dispose of any fixed assets, other than land, buildings and heritage assets, without the approval of the Secretary of State for Education. However, academy trusts 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.

4.2 Items which are to be disposed of by sale or destruction must be authorised for disposal by The STAR MAT and reported to the Trust Resources Committee and, where significant, should be sold following competitive tender.

4.3 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the Academy 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 Academy Trust would need to ensure licenses for software have been legally transferred to a new owner.

4.4 The Academy Trust is expected to re invest the proceeds from all asset sales for which capital grant was paid in other Academy Trust assets. If the sale proceeds are not re invested then the Academy Trust must repay to the DfE a proportion of the sale proceeds.

4.5 All disposals of land, buildings and heritage assets must be agreed in advance with the Secretary of State for Education.

#### **5 Schools Capital Allocation (SCA)**

5.1 The purpose of your SCA is to maintain and improve the condition of your schools, so that children can learn in a safe and effective environment. Investment must prioritise keeping academy buildings and grounds safe and in good working order by tackling poor building condition, building compliance, energy efficiency, and health and safety issues. As a body responsible for maintaining school sites, we expect you to understand your schools' needs and to be able to make the most effective and value for money investment decisions for the long-term condition of your school buildings.

5.2 As set out in the ESFA guidance, the MAT should:

- Develop and agree with your board an estate vision, strategy and asset management plan;
- Have clear, documented roles and responsibilities, processes and procedures covering: governance, budget and finance, performance management and other data related to the estate, procurement and delivery of projects, and emergency planning;
- Develop policies and procedures that ensure buildings support the provision of a safe environment for children and staff, and comply with all relevant regulations, including, but not limited to, those related to health and safety, fire safety and the control and management of asbestos;
- Understand your estate and maintain it through a prioritised programme of maintenance works informed by up to date and costed condition data;
- Ensure you have a robust and value for money approach to prioritising, planning, procuring and delivering projects.

5.3 SCA is to be invested strategically across the estate. Unexpected, or emergency capital projects do arise occasionally and there is an expectation that trusts manage these through re-prioritising spending plans and using a combination of their annual condition funding, insurance arrangements or reserves.

5.4 Each year, the ESFA will collect information from the MAT about how we have used the allocation in the previous year, including what projects you have funded in your schools.

5.5 SCA funding reflects the schools at the beginning of September. Where schools were in the pipeline to open as academies in the MAT by 1 April, they will have been treated as part of the MAT in the calculations.

5.6 Because the MAT is receiving SCA, the academies in the MAT are not eligible to bid to the Condition Improvement Fund

5.7 SCA must only be used for capital projects in line with the terms and conditions and must not be used for other purposes, such as operating costs. The MAT will be required to complete an End of Financial Year Outturn Certificate to confirm that the funds have been used for the purposes provided and spent in accordance with the terms and conditions of grant. The MAT will also need to comply with the responsibilities and requirements relating to academy trusts' financial governance and management as set out in the Academies Financial Handbook.

5.8 It is important that investment in school buildings is transparent, so that schools and local communities can understand how funding is being used.

## **6 Devolved formula capital**

6.1 Devolved Formula Capital (DFC) remains based on a per School source, and allocations for each School will be transferred as DFC funds without any adjustments

6.2 The Devolved Formula Capital (DFC) can be used to fund improvements to buildings and other facilities including IT. Schools however are expected to concentrate this funding source on their most pressing capital priorities as identified in their AMP with the highest priority always being given to condition type works especially those that have an impact on Health and Safety.

## **7 PE and Sports Premium Funding**

7.1 Schools must use the funding to make additional and sustainable improvements to the provision of PE and sport for the benefit of all primary-aged pupils to encourage the development of healthy, active lifestyles. The Secretary of State does not consider capital expenditure as falling within the scope of additional or sustainable improvement.

7.2 Any expenditure that is purchased using the PE and Sports Premium Funding will be accounted for in line with the Capitalisation amounts outlined in section 3.4 of this policy.