ASSET CONTROL & ACCOUNTING POLICY

ORWELL
MULTI ACADEMY TRUST

WHERE LEARNING IS UNSTOPPABLE AND ASPIRATIONS HAVE NO LIMITS

Drafted by:	Helen Wright, Schools' Choice
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Trust Address: **Halifax Primary School**
Prince of Wales Drive
Ipswich
IP2 8PY

Registered in England and Wales, Company Number: 10650092

Policy and Procedure: Asset Control & Accounting Policy

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Author: Helen Wright, Schools' Choice
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1 Introduction

1.1 The Governing Body recognises the need to establish and review, at least annually, an Asset Control and Asset Policy to ensure that the school's balance sheet reflects the assets and liabilities of the academy trust.

1.2 The purpose of this policy and associated procedures is to ensure that "the Trust" maintains and develops systems of financial control, which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's Funding Agreement with the Department for Education (DfE).

1.3 This policy is designed to be consistent with:

- EFA Financial Handbook
- Trust Articles of Association / Constitution
- Master and Supplemental Funding Agreements
- HM Treasury's "Regularity, Propriety and Value for Money"
- Financial Reporting Standards (FRS 15 & FRS 10)

1.4 This policy must be detailed and approved by the Full Governing Body, or as delegated to an appropriate committee. It defines the treatment of non–current, current, tangible, and intangible assets (group of assets) including depreciation, amortisation, capitalisation, provisions for impairment and other accounting treatments. This policy is an annex to the main Trust Finance Policy and is to be applied consistently in all academies across the trust. Adherence to the principles and procedures contained in this policy is mandatory for all staff.

2 Fixed Assets

Capitalisation

2.1 All items of a capital nature purchased with a value over the Trust's capitalisation limit of £1,000.00 must be capitalised. Assets below this value will be charged to the Statement of Financial Activities in the year of purchase as an expense.

2.2 All fixed asset additions, as identified below, must be approved by the Principal. The assets (group of assets) to be included are as follows:

- Any item (or group of items) with a value more than the capitalisation limit defined above that are considered to have a life longer than the financial year in which they were purchased.

- Capitalised assets are not necessarily purchased on one order, so long as the group of items are purchased within the accounting period they can be capitalised.

- Examples of assets to be included:

  a. Land and Buildings (Tangible)
  b. Plant and Machinery (Tangible)
  c. Furniture and Equipment (Tangible)
  d. Computer Equipment (Tangible)
  e. Computer Software (Intangible)
  f. Assets Under Construction (Tangible)
  g. Other Assets Under FRS 10 (Intangible)

Intangible Assets

2.3 Intangible assets are non-monetary without physical form which are identifiable and provide future economic benefit. They are capable of being separated, sold, transferred, rented, or exchanged.

2.4 Intangible assets can be acquired by purchase, business merger, grant, exchange of asset or self-creation.

2.5 Recognition Criteria must be met to ascertain if an intangible asset is to be capitalised as follows;
- The Trust will directly receive the economic benefit derived from the intangible asset.
- The cost of the asset can be measured reliably.
- If the recognition criteria are not met the asset must be charged to expense.

2.6 A Trust may not reinstate an Intangible Asset that was previously charged to expense in a former accounting period.

2.7 Intangible assets are measured at cost when incurred. This is capitalised when the organisation **receives** the asset. The values are carried based on cost less accumulated amortisation and impairment losses. Amortisation is applied over the useful life of the asset.

2.8 The following accounting treatment applies to (Intangible Asset) Computer Software when it is;
- Purchased Software – Capitalise and amortise.
- Operating System – Include in the Hardware Cost (Capitalise and depreciate)
- Internally Developed – Charge to expense until the intent and ability to derive future benefits from the software become feasible. Then revalue, capitalise, and amortise.

2.9 Intangible Assets with an indefinite useful life must not be amortised.

2.10 Research costs in relation to a self-created intangible asset must be charged to expense. Development costs in this scenario are capitalised only when the future economic benefit is confirmed as feasible. If research and development costs cannot be separated, this cost must be treated as an expense in its entirety.

2.11 Future expenditure on the Intangible Asset must always be recognised in the Statement of Financial Activities as an expense.

Fixed Asset Register

2.12 A Fixed Asset Register must be maintained and should be reconciled to the financial statements of the academy. The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the Trust's financial system and
- support insurance claims in the event of fire, theft, vandalism, or other disasters.

2.13 The Trust Business Manager will review the Asset Register for each academy on a yearly basis to ensure completeness and identify any discrepancies. Any discrepancies over a pre-defined threshold must be reported to the Principal (see Appendix 1 Record of Financial Responsibility for threshold).

2.14 Assets excluded from the Fixed Asset Register are Current Assets, Stock and leased assets. Current assets include cash and bank balances which are controlled through reconciliation to control accounts on a regular basis. Stock includes uniform stock and stationery which are monitored on a day to day basis.

2.15 The appropriate accounting transactions should be processed for all assets capitalised and recorded on the fixed asset register; the transaction must be recorded within the fixed asset fund account in addition to the transaction to the Balance Sheet.

2.16 All assets disposed of will be recorded in the Fixed Asset Register and the appropriate transactions recorded through the financial statements on the accounting system.

2.17 Attractive and portable items of equipment that fall below the capitalisation limit will be recorded on the Equipment Inventory, and follow the same asset control as the assets held on the Fixed Asset Register (example digital camera purchased singularly for £250.)

2.18 All working papers for the purchase of the Asset(s) must be retained, including invoices, with the Fixed Asset Register.

Asset Control

2.19 Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

2.20 All items that have been included on the Fixed Asset Register must be security marked as the property of the Academy.

2.21 Physical counts will be undertaken against the register annually and the evidence will be presented to the Governors.

2.22 Discrepancies between the physical count and the registers will be investigated promptly and any discrepancies over the value of £xxx will be reported to the Governing Body

2.23 Items of Trust property, except staff and student laptops or tablets, must not be removed from academy premises without the authority of the Principal.

2.24 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Trust's auditors.

3 Depreciation & Amortisation

3.1 The Trust will depreciate fixed assets in line with recognised accounting standards, best practice and DfE guidelines.

3.2 Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction. Amortisation is applied to Intangible Assets. It is adopted with the intention to reflect the recoverable amount of the asset in the financial statements. Depreciation/Amortisation is calculated to write off the cost of each asset less any residual value over its expected useful life.

- The two standard methods of depreciation/amortisation are recognised as Straight Line and Reducing Balance.
- The depreciation/amortisation can be calculated on a **monthly / annual basis** for preparation of the management or yearend accounts. A budget can be set within the fixed asset fund to provide an indicative charge for depreciation/amortisation for the year to the fixed asset fund account.
- Groups of assets will use the same method of depreciation/amortisation:

Recommended Depreciation/Amortisation Methods and Rates:

3.3 There may occasionally be an asset that does not completely fit into one of the categories below and the Governors should discuss these items on an individual basis.

- Depreciation/Amortisation should be calculated on a pro rata basis in months in year of purchase.

Asset Group	Depreciation / Amortisation Method *(Examples Shown Below)*
Land and Buildings (buildings element only) (Includes Building Improvements)	2% (50yrs) Straight Line, with consideration to revaluations (Depreciation)
Plant and Machinery	15% - 20% (5yrs) Straight line with nil residual value. (Depreciation)
Furniture and Equipment	20% (5 yrs) Straight line with nil residual value. (Depreciation)
Computer Equipment	20% (5 yrs) Straight line with nil residual value. (Depreciation)
Assets Under Construction	These are not depreciated until the asset is brought into use. (Depreciation)
Motor Vehicles/Minibuses	40% Year 1 then 10% Straight line with nil residual value. (Depreciation)
Computer Software	20% (5 yrs) Straight line with nil residual value. (Amortisation)
Other Intangible Assets	The rate is to be set on a straight line, systematic or revenue basis. To be determined by the Trust. (Amortisation)

- The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the Fixed Asset Register.
- A monthly reconciliation will be completed between the independent Fixed Asset Register and the carrying balances held on the accounting system.
- Where tangible fixed assets have been acquired with the aid of grants or donations, 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. Where the related income requires the asset to be held for a purpose, the income is credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward as a fund on the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the 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 be overstated. 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.

4 Asset Disposal

4.1 All assets disposed of will be recorded in the Asset Register and the appropriate transactions recorded through the accounting system.

4.2 The Trust must ensure that any disposal achieves the best price that can reasonably be obtained.

4.3 Assets disposed of with a carrying amount (Cost less accumulated depreciation/amortisation) above £500 must be approved by the Governing Body, and a Disposal of Equipment Form completed (Annex 1). The form will confirm the asset is no longer of use to the Academy (obsolete) and that all obsolete stocks are destroyed to ensure they are not illegitimately procured and then resold.

4.4 The academy will take appropriate steps to ensure all data and hardware is completely cleared of sensitive data, and considerations are given to the Waste Electrical & Electronic Equipment (WEEE) directive that is now law. The Academy's Data Security Policy will detail full guidelines for the disposal of electrical equipment and the considerations to be given as approved by the Governors.

4.5 On disposal of computer equipment, the academy would need to ensure licences for software programmes have been legally transferred to a new owner.

4.6 Disposal of equipment to staff is not permitted unless approved by the Principal, as it may be more difficult to evidence the Trust obtained value for money in any sale or scrapping of equipment.

4.7 Pecuniary Interests must also be routinely considered.

Capital Grant Funded Assets

4.8 Under the EFA Funding Agreement the approval of the Secretary of State is required before the sale, or disposal by other means, or reinvestment of proceeds from the disposal, of an asset (or group of assets) as identified in the Academies Handbook (i.e. For which a Capital Grant more than £20,000 was originally paid, Land and Buildings or Heritage Assets)

4.9 EFA approval for transfer of Land & Buildings must be sought where a transfer of Academy sponsorship is planned.

4.10 Where proceeds are not reinvested the Academy Trust must repay to the DfE the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State (i.e. if Secretary of State purchased 50% of the original cost of the asset then the Academy agrees to reimburse with 50% of the proceeds.)

4.11 The proceeds from the sale of assets acquired with grant from the Secretary of State cannot be used as the Academy's contribution to further named grant aided projects or purchases.

5 Opening Balances and Gifted Assets

5.1 It is agreed that Assets 'gifted on conversion' should be valued at 'Fair Value' and subject to the same Depreciation/ Amortisation process as detailed in the Asset Control & Accounting Policy from the first year of conversion.

5.2 Gifted Assets will impact Voluntary Income in the Statement of Financial Activities and should also be entered on the Fixed Asset Register.

5.3 Opening balances of Fixed Assets on conversion will accumulate depreciation / amortisation in the same manner at the end of the first year.

6 Leases

6.1 The Trust is able to procure operational leases as outlined in the Academies Financial Handbook.

6.2 Finance leases are classed as borrowings and can only be entered with the authority of the EFA.

6.3 The Principal must approve all leases.

6.4 Leases are not entered onto the Fixed Asset Register.

7 Hire Purchase

7.1 The resulting capitalisation of Hire Purchase assets would require similar treatment to other Fixed Assets pursuant to the individual HP contract and schedule. Please contact the Schools Choice Helpline for guidance in this area.

Annex 1

Disposal of Equipment Form

Item to be disposed of	
Reason for disposal	- Broken - Surplus to requirements - Irreparable - Obsolete *(delete as appropriate)*.
Residual value *(if appropriate)*	
Action to be taken	Disposal/ sale
By whom	
Signed:	
Date:	
Designation:	*Chair of Governors*

Finance Office use only –

Value obtained for item	
Cost centre code	
Ledger code	
Fund	
Original Cost	
Accumulated Depreciation	
Carrying Amount	
Grant Received for original purchase	Yes/No
Reinvested Grant	
Repayment to Secretary of State	
Value Repaid	
Removed from fixed asset register	Date

Version Control

Version	Date	Author	Amendment
1.0	25.04.2017	Helen Wright	
1.1	16.05.2017	Michelle Eaves	Asset and Disposal limits inserted and Approved by Trustees