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**Southwark Diocesan
Board of Education
Multi-Academy Trust**
Developing Church of England Education

FINANCE POLICY HANDBOOK

ACCOUNTING FOR FIXED ASSETS

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1. INTRODUCTION

In determining the accounting policy for fixed assets, the Trust takes heed of any advice and guidance contained in the Academy Financial Handbook. This advice relates specifically to the acquisition and disposal of freehold land and buildings and heritage assets.

The Academies Accounts Direction sets out specific guidance based on relevant company law and charity accounting law at the time.

2. TRUST POLICY

- 2.1. Assets costing £2,000 or more will be capitalised as tangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment.
- 2.2. Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from the private sector, they will be included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants will be credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on such assets will be charged to the restricted fixed asset fund in the SOFA to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.
- 2.3. The Academies Accounts Direction provides advice for Church academies where the buildings are operated under licence from the Diocese and may not therefore appear on the balance sheet of the Trust.

3. BASIS FOR DEPRECIATION

- 3.1. Depreciation will be provided on all tangible fixed assets other than freehold land and buildings, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

3.1.1. Fixtures, fittings, and equipment (non-ICT) – 5 years -20% per annum

3.1.2. ICT equipment – 4 years – 25% per annum

3.1.3. Motor Vehicles – 5 years – 20% per annum

3.1.4. Leasehold buildings – 50 years – 2% per annum

3.1.5. Leasehold improvements -20 years – 5% per annum

3.1.6. Longer life fixtures and fittings – will be determined on a case basis in consultation with auditors

- 3.2. Items will start to be depreciated from the month after they are brought in to use. The equivalent annual charge will be calculated and reported at year end as part of the statutory accounts.
- 3.3. Assets on construction will be included at cost. Depreciation on these assets will not be charged until they are brought into use.
- 3.4. A review for impairment of a fixed asset will be 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.

4. LEASED ASSETS

- 4.1. Rentals under operating leases will be charged on a straight-line basis over the lease term.
- 4.2. Academies are not permitted to enter in to Finance Lease agreements. All lease agreements must be referred to the Central team to confirm the contract is not a finance lease, albeit inadvertently, on the part of the academy.

5. DEPRECIATION CHARGES IN THE ACCOUNTING SYSTEM

Depreciation charges will be posted to the accounting system after agreement with auditors at year end.

6. DISPOSALS

The Academies Accounts Direction provides guidance for the treatment of the disposal of fixed assets and will be followed accordingly by the Trust.

