



Capitalisation, Asset Management and Disposals Policy and Procedure

Tees Valley Education Trust

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Capitalisation and Asset Management Policy

Introduction

The purpose of the policy is to provide a framework of the Trust's capitalisation, assets management and disposals by ensuring there is a set threshold, above which qualifying expenditures are recorded as fixed assets, and below which they are charged to expense as incurred. This will then ensure the balance sheet correctly reflects the assets and liabilities for each academy and the Trust as a whole.

It is also the purpose of this policy to maintain an inventory of assets, that should include anything of value to the Trust, and should be owned by an individual within the academy/central team and updated periodically.

These procedures are written to ensure they satisfy the requirements of internal and external audit, to also protect the interests of staff and Trustees by defining decision making processes concerning what would be capitalised as fixed assets including the disposal of redundant or surplus assets.

There are three elements to the policy:

1. To identify items to the value of £1000 or more which must be capitalised
2. To maintain an asset register (also known as inventory) to identify items of value and
3. To dispose of assets that have been capitalised or items on the inventory, which were not capitalised.

This policy will be monitored by the Audit, Risk and Finance Committee.

This document is to be read in conjunction with the Trust's Financial Scheme of Delegation.

1. Fixed Asset Register

1.1. The Trust Board is responsible for the Trust's assets as well as maintaining the security, at all times, of the academy buildings, furniture, equipment etc. The Academy Business Managers have the day-to-day responsibility for managing these assets on their own sites including the inventory of all the assets.

1.2. In line with Trust procedure, the Academy maintains an Asset Register of the inventory in the academies that is recorded electronically using the Every system.

1.3. The register contains:

- All new and disposed-of equipment: portable electrical and electronic items worth over £1000
- Date of acquisition
- Description, and serial number if applicable; (a serial number will be used on all assets over the value of £1000 or to a group of assets, e.g. tables and chairs in a classroom)
- Cost of purchase including delivery/set up costs where these were required
- Source of funding (% of original cost funded from DfE grant and % funded from other sources)
- Expected useful economic life
- Depreciation method, period and residual value (e.g. Straight line over 4 years, no residual value). Residual value will ordinarily be zero as items are normally scrapped rather than sold.
- Current book value
- Location of item e.g. Academy and classroom/office/storage room

- Details of disposal or write-off.

1.4. The register forms part of the Trust's financial documentation and only designated staff have access to it, e.g. Chief Operating Officer/Consultant Finance Director and Academy Business Managers.

1.5. All new assets over £1000 *should be tagged with a serial number. These items should not be moved to another location without updating the asset register. Such items are to be coded to capital expenditure within the accounts to assist with the year-end process.

The Academy Business Manager will carry out termly inventory reviews to ensure that the information held on the register agrees with the physical inventory. This will be formalised by undertaking an annual year end audit with discrepancies reported to the Chief Operating Officer and the Audit, Risk and Finance Committee and promptly investigated with explanations.

1.6. Academy property should not be removed from premises without permission of the Headteacher. All items on loan should be signed in and out, in a book held in the Academy Business Office.

1.7. Items under the £1000 threshold, will not be capitalised, but if they have a value in terms of data security (e.g. mobile phones, iPads, laptops), specialist equipment for SEND children) they should receive an asset tag barcode, but the cost is coded to an expense code e.g. nominal between 3000 to 6000. But the main codes used are:

- 4010: Equipment (not IT)
- 4140: Licenses and subscriptions
- 4155: IT Equipment – Educational
- 5010: Catering equipment
- 5200: Furniture/Equipment
- 5300: IT Equipment – Non educational
- 5310: IT licensing

2. How do you know what should be classed as a fixed asset?

2.1 There are some general rules to classifying assets and this is a guide to support with this, but not exhaustive. It is important to note, that there are also 'grey' areas and further advice and guidance from an Academy Business Manager or the Chief Operating Officer maybe required.

2.2 The following assets, where they are over a £1000 in value should be capitalised and coded to the 9000 expenditure codes:

- **New item** that is not a replacement of another similar item e.g. safespace pod
- **New item** that is replacing an item that has been fully depreciated in the accounts e.g. laptops (ensure an item being disposed of, follows the disposal procedure)
- An **enhancement** to something e.g. gate with modifications that has improved the operating use

What not to capitalise

- Items that are **replacing** something that is already on the fixed asset register e.g. a broken/stolen laptop

3. Gifts of Assets

- 3.1 All fixed assets gifted to the Trust are recorded in the accounts as income in the period in which the fixed asset was given to the Trust. The value placed on gifts in kind should be either a reasonable estimate of their gross value to the Trust or the amount actually realised. The key test is what the Trust would have been prepared to pay to purchase the asset.
- 3.2 Gifted assets are treated and recorded in the asset register in the same way as purchased assets.

4. Security of Assets

- 4.1 All fixed assets recorded in the register are to be tagged as far as this is practical. The asset register is to be kept up to date and reviewed at least termly. Items used by the Trust but not owned by it should be recorded as such.
- 4.2 Physical counts against the register will be undertaken termly. Differences between counts and the register are investigated promptly and significant differences are to be reported to the COO.

5. Disposal

- 5.1. The Trust Board has the authority to declare equipment, furniture or any other assets or stores, surplus to requirements and to arrange for their sale or write-off, provided the items concerned were purchased in full or in part from its delegated budget. (Land and buildings are always excluded from this authority).
- 5.2. Assets may be need to be disposed for a number of reasons e.g.
- Beyond repair
 - No longer complying with Health and Safety requirements
 - No longer required due to changes in procedures or functions
 - Not capable of running required software
 - Obsolete
- 5.3. In line with the Trust's Scheme of delegation where the NBV of surplus or redundant assets (equipment or stores) is less than £1,000 and if sale is to be by public auction or competitive tendering, authority for disposal can be given by the Headteacher.
- 5.4. Prior approval of the Trust Board is required where the NBV is over £1,000 and/or the sale is not to be by public auction or competitive tendering.
- 5.5. The Chief Operating Officer must be notified of any capital items being disposed of.
- 5.6. A list of equipment disposed of will be presented to the Audit, Risk and Finance Committee at its next meeting. This list will show, so far as may be known, the item, department, date of manufacture or purchase, values when new and when made redundant (estimated where necessary) net book value and disposal value.
- 5.7. The Trust's inventory will be amended to show disposals and such entries will be endorsed by the Chief Operating Officer.
- 5.8. The net income from the sale of surplus or redundant assets or stores purchased from the academy budget will be credited back to the academy budget (Where the item/s was originally funded by a restricted grant, the income from the sale, may have to be returned to the funder e.g. ESFA).

5.9. The academy will dispose of all surplus ICT equipment in a manner which prevents the transmission of personal data, infringement of licenses or copyright, is cost effective, and which complies with both environmental requirements and the United Kingdom Directive on Waste Electrical and Electronic Equipment (WEEE). Advice must be sought from the Trust IT provider and Appendix C to be completed upon disposal of equipment.

5.10. Acceptable methods of disposal are:

- **Private Sale:** To ensure a fair price is received, a market valuation should be obtained. The sale should be publicised appropriately, via advertising or e-mailing and can be sold to the first person to make an offer or via sealed bids, as appropriate.
- **Public Auction:** To ensure the best price in a specific auction suitable. This will depend on the item/s to be auction e.g. specialist or house clearing style.
- **Donation to an appropriate organisation:** All donations must be approved by Audit, Risk and Finance Committee and/or the Chief Operating Officer depending on original value and NBV.
- **Recycled or Destroyed:** Items with no market value or no use to another organisation should be appropriately and safely destroyed.

6. **Depreciation of Fixed Assets**

6.1. All fixed assets will be depreciated using straight line method of depreciation.

6.2. The depreciation will be calculated on a monthly basis.

6.3. Groups of assets will use the same method of depreciation. There may be occasions where an asset does not completely fit into one of the categories below and the Audit Risk and Finance Committee will discuss these items on an individual basis.

<u>Asset Group</u>	<u>Depreciation Method</u>
Buildings and modifications	Straight line for the duration of the lease (for leasehold buildings) For Freehold buildings 30 years
Plant and Machinery	Straight line over 10 years
Minibus	Straight line over 5 years
Furniture and Equipment	Straight line over 10 years
Computer Equipment/Software	Straight line over 4 years

7. **Procedure and guidance**

7.1. The Trust will use Every Asset Management Software to manage its assets. Each academy should have the Every Asset App installed on a mobile device .e.g. IPad. This app will enable all new assets to be issued a barcode and logged on the system. The system will require the following information:

- Title of the asset, e.g. Ipad
- Department
- Location e.g. Classroom 1b
- Description
- Quantity
- Unit cost
- Purchase date
- Life expected (years)
- Last checked
- Last updated
- Serial no (scan the issues serial no.)

7.2. Classrooms are expected to be tagged as one asset, with an inventory kept in the classroom of the main items that make up the asset, e.g. 8 tables, 48 chairs, 1 PC plus resources. No asset should be removed from a classroom without it being marked on the inventory. It is the responsibility of the person removing the asset to ensure the inventory has been updated. If an asset is broken/damaged, this must be recorded on the inventory sheet and the Office Manager/Site Supervisor informed. The Site Supervisor/Office Manager will update the issue on Every and the Academy Business Manager will review the issue and highlight to the Headteacher to consider replacement and/or disposal.

7.3. The Office Manager and/or Site Supervisor is to periodically, on a termly basis, check the classroom inventories with the class teacher to ensure all assets are in situ.

7.4. Any discrepancies must be reported to the Academy Business Manager and, if required, be further reported to the Headteacher and/or Trust Chief Operating Officer as appropriate, for reporting to Audit, Risk and Finance Committee.

8. General disposal procedures

- Identify the asset for disposal
- Determine the market value
- Obtain relevant approval for disposal
- Select the best disposal method
- Record disposal in the asset register

8.1 Any items on the inventory that have been disposed of, must be marked as disposed also.

Useful Resources

- Trust's Financial Operating Procedures
- Trust's Financial Scheme of Delegation
- ESFA Financial Handbook
- ESFA guidance on Asset Management and Disposals

Checklist for Purchasing Procedure and Capitalisation

In line with the Trust's purchasing policy, 3 quotes should be obtained in line with best and value and good practice.

- Is the asset purchased above the capitalisation approved amount of £1000?
- If **YES**: process purchase order using capital codes
 - **9001 Land & Buildings Additions in Year**
 - **9011 IT Equipment Additions in Year**
 - **9021 Furniture and Equipment Additions in Year**
 - **9031 Motor Vehicles Additions in Year (Not needed)**
- If **NO**: normal purchase procedure is followed to record the transaction. You may still need to record the item on the inventory register as per item 1.7 of this policy.
- Check the fixed asset category for the depreciation method.
- The expected useful life of the asset will be determined by the category and any residual value (if know)
- Record the asset on the fixed asset register as per 3.1 of the procedure
- Fixed asset register to include:
 - All new and disposed-of equipment: portable electrical and electronic items and items worth over £1000
 - Date of acquisition;
 - Description, and serial number if applicable; (a serial no. will be used on all assets over the value of £1000 or to a group of assets, e.g. tables and chairs in a classroom)
 - Cost of purchase including delivery;
 - Location of item;
 - Details of disposal or write-off
 - Security mark the asset as soon as practical

Asset Disposal Procedure

- Best value will be obtained from the disposal of assets. Assets disposed of with a carrying amount (=cost less accumulated depreciation) above £1000 must be approved by the audit risk and finance committee and a disposal of equipment form completed (see appendix C)
- Equipment is not disposed of to staff because it is difficult to provide evidence that the Academy obtained value for money in the sale or scrapping of the equipment. If computer equipment is disposed of, licenses for software programmes must be legally transferred to the new owner. Pecuniary interest must also be considered at all times.
- Under the Academy Funding Agreement the approval of Secretary of State is required before the sale, or disposal by other means, or reinvestment of proceeds from the disposal, of an asset (or specific groups of assets) for which a Capital Grant in excess of £20,000 was originally paid.
- The Academy agrees to reinvest the proceeds from all asset sales for which Capital Grant was received and therefore every effort will be made to maximise the sale of such assets.
- If such proceeds are not reinvested, the Academy will repay to the DfE the same proportion of the proceeds of the sale or disposal as equates to the proportion of the original cost met by the Secretary of State (ie the Secretary of State purchased 50% of the original cost of the asset the Academy agrees to repay 50% of the proceeds).
- The proceeds from the sale of assets acquired with a grant from the Secretary of State cannot be used to contribute to further named grant aided projects or purchases.

Appendix C



Equipment Disposals

The purpose of this form is to outline the equipment that you are disposing of and must be removed from your accounts.

Description	Serial/Stock Number	Qty

Academy:

Staff Member from Academy who requested this:

Tel/Email:

Date Taken

Collected/Disposed of:

Signature of Academy Representative

Please keep a copy for the Academy Records. Original copy to main office for storing. Copy to be sent to the Chief Operating Officer for the Trust.