



Capitalisation Policy

Reviewed	Date of Next Review	Responsibility
April 2025	April 2028	Head of Finance

Our Mission:

'To enable young people to live and work without barriers'

Our Values:

- **Teamwork** – we hold ourselves and each other to account and are better when we work together
- **Compassion** – we act with trust, honesty and kindness in everything we do
- **Inclusion** – we treat each other fairly and with respect
- **Innovation** – we encourage thoughtful, creative and aspirational ideas
- **Pride** – we encourage each other to be proud of who we are and what we do

This policy sets out the treatment of Fixed Assets in the business records of Fairfield Trust (FT).

1. Introduction and Background

Fixed assets provide an economic benefit to the charity on an on-going basis that is for more than one reporting period through their ability to generate income or contribute to furthering FT's charitable objectives.

Capitalisation is the decision and process of recording the purchase of a Fixed Asset (FA). FAs gradually lose their value because they have a limited useful life, hence the need for them to be depreciated as part of the month end process, culminating in an annual amount reported in the year end Audited Accounts.

There are 2 types of Fixed Assets, Tangible and Intangible.

A Tangible Fixed Asset is purchased with the intention of owning it for some time, in other words, it is not an expense. These assets are then grouped by category and form part of the Balance Sheet (BS) for accounting purposes. This policy conforms to the International Accounting Standard (IAS) 16.

Intangible Fixed Assets include operational assets that lack physical substance, such as patents, copyrights, trademarks, franchises and goodwill. FT currently do not have any of these on the BS.

The categories of Tangible Fixed Assets are as follows:

- Land and Building
- Property Refurbishment
- Plant and Machinery
- Fixtures and Fittings
- Furniture and Equipment
- IT
- Motor Vehicles

2. Purchase of Assets

FT defines a fixed asset as a purchase or gift which provides ongoing benefit to the charity where the purchase price, including non-recoverable VAT, exceeds **£1,000** and items below this value should be treated as an expense.

The expected useful life of each Fixed Asset category is shown in *Appendix A*.

3. Depreciation

Depending on the category the Fixed Asset will be depreciated at different rates, so the importance of posting to the correct nominal is paramount otherwise some assets will be depreciated in excess of their useful life. Depreciation is the gradual transfer of the original cost on the BS, over to the P&L account. This transfer is done by way of a monthly Journal.

FT use the Straight-Line method which is calculated on the original cost and is expensed equally over its life e.g. £1,000, 4 year life would be depreciated at £300 per annum, £25 per month.

A copy of the monthly depreciation journal will also be saved.

4. Asset Numbers

All new assets will be allocated an Asset Number which will assist with tracking items, and simplify any future stock takes. See below for some examples:

Dept.	Area	Category	Location	Number
ED (Education)	FA (Farm)	FF	C1 Classroom)	0001
CH (Care Home)	36H (High St)	FE	BR1 Bathroom)	0001
Bus (Business)	CO (College)	FE	O1 (Office)	0001

Therefore, ED-FA-FF-C1-0001, CH-36H-FE-BR1-0001, BUS-CO-FE-O1-0001

IT currently allocate an asset number for computer technology, televisions, etc. which will be used in the Fixed Asset Register (FAR) to identify these items.

5. Recording

The FAR will be maintained in a timely manner and updated monthly as a minimum and is the responsibility of the Head of Finance.

The FAR is an Excel spreadsheet saved electronically on SharePoint. It will be updated monthly and saved alongside copies of all asset invoices annotated with the allocated Asset Number, plus a copy of the Depreciation Journal.

6. Disposal of Fixed Assets

Similarly, to when an item is purchased the fixed asset register will need to be updated when an item is disposed of. Disposal includes where an item is sold, part exchanged or scrapped. Finance will need to be notified regardless of the disposal method, so that the FAR can be updated accordingly

Where an asset is sold, a sales invoice should be raised to record the sale, and where appropriate VAT should be added at the standard rate of VAT at the disposal date.

The disposal is then accounted for as follows:

Fixed Asset Cost	Balance Sheet	CR
Accumulated Depreciation	Balance Sheet	DR
Cash	Balance Sheet	DR
(Gain)/Loss on Disposal of Asset	I&E	DR or (CR)

7. Verification of Assets

As part of the annual Audit physical verification of assets is carried out by the Auditors to confirm their existence. This examination is performed in person and will compare items stated in the FAR and those on site.

In the event any assets cannot be found, then they will have to be written off.

Appendix A

Nom Code	Category	Percentage	Method	No. of Years	Examples
0099	Assets under Construction	N/A	N/A	N/A	Assets purchased but not yet in use
0001	Land & Buildings				Purchase of land/buildings
0002	L&B Dep'n	2	SL	50	
0010	Property Refurbishment				Substantial repairs i.e. re-roof, new walls, etc.
0011	PR Dep'n	4	SL	25	
0020	Plant & Machinery				Includes farm vehicles and other large machinery
0021	P&M Dep'n	25	SL	4	
0030	Fixtures & Fittings				Minor works including replacement doors/windows/kitchens/bathrooms
0031	F&F Dep'n	20	SL	5	
0034	Furniture & Equipment				Large value items or room project
0035	F&E Dep'n	25	SL	4	
0040	Information Technology				Computers, monitors, TV's
0041	IT Dep'n	50	SL	2	
0050	Motor Vehicles				Cars/vans/minibus
0051	MV Dep'n	25	SL	4	
0060	Dep'n Adjustments				Adjustments

Approved by the Board of Trustees

Kate Durrant
Head of Finance
 April 2025