



Fixed Asset Capitalisation and Depreciation Policy

Purpose

- To ensure all assets are correctly recorded on Inspire Education Group (IEG) systems (Appendix 1)
- To ensure the useful life of assets is regularly reviewed (Appendix 1)
- To ensure assets are depreciated in line with their useful life (Appendix 2)

Scope

This policy applies to all items acquired that have a useful life exceeding one year, and meet the capitalisation threshold as defined in Appendix 1 of this policy. Assets can be constructed or purchased by, or donated to IEG

The Policy Statement

Inspire Education Group (IEG) and Subsidiary Companies are committed to ensuring financial transactions are recorded in line with Financial Reporting Standards, Managing Public Money, and the IEG Financial Regulations. Fixed Asset Accounting is a fundamental part of the financial framework within which IEG operates.

Responsibility

- The Chief Financial Officer is responsible for ensuring appropriate policies and systems are in place to manage all IEG assets
- The Group Director of Finance is responsible for ensuring all assets are appropriately recorded, and sufficient documentation to support the purchase and classification of assets is in place
- All employees are required to comply with the provisions of this policy

Related Documentation

FIN001 - Financial Regulations
FIN007 - Disposals Policy

Policy Name: FIN008 – Fixed Asset Capitalisation and Depreciation Policy

Policy Author: Chief Financial Officer

Issue: July 2024

Approved by: IEG Corporation

Review Date: Aug 2026

Site: Inspire Insights, IEG Website



Fixed Asset Capitalisation and Depreciation Policy

Capitalisation

Capital Expenditure can be defined as;

“The acquisition, construction or enhancement of fixed assets (tangible and intangible) “

Expenditure can be capitalised where it relates to the;

- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of buildings and other structures.
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.
- Enhancement of an existing fixed asset means:
 - To lengthen the useful life of the asset
 - To increase substantially the open market value of the asset
 - To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of Inspire Education Group

Categories of Assets

Assets will be categorised as below:

- Freehold buildings
- Long leasehold buildings
- Software and other intangibles
- Technical equipment
- Motor vehicles
- Furniture,
- Fixtures and fittings
- Mechanical & Engineering
- Computer equipment

Capitalisation Thresholds

Single/Multiple Item Threshold

From 1st August 2023
Threshold £2,000

From 1st August 2024
Threshold £5,000

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Exclusions from the Asset Register

Peripheral equipment items bought in bulk, funded by grant funding will be expensed, while being classed as part of a capital project, subject to the application of the limits detailed above.

Examples would be (but not limited to):

- Microscopes
- Drills
- Welding equipment
- Small tools

External and Internal Staff Costs

External resource costs, such as contractors, project managers, may be capitalised only if the costs are directly related to the construction or acquisition of the asset.

Internal staff costs will be capitalised if the member of staff's time can be directly attributed to one or more capital projects. These will usually be in the Estates or IT functions.

Staff or non-pay costs which are administrative, overhead or management in nature cannot be capitalised. These will usually be in support or non-operational functions and will be deemed to be not directly related to the construction of the project.

Software & Other intangibles

Intangible assets are fixed assets that do not have physical substance but are identifiable and controlled by Inspire Education Group through custody or legal rights. They must be intended for use on a continuing basis in the Group's activities and have more than short term value (i.e. they must be used for more than 1 year). The useful lives of Goodwill and Intangible are presumed to have an infinite life under FRS 102. This can either be estimated based on reliable evidence, or restricted to 10 years.

Examples of Intangible assets include:

- Purchased software licences
- Patents; Licences, trademarks and artistic originals
- Development expenditure
- Bought in computer software

Note - If software is purchased to enable of Hardware to be used for its intended purpose, the software will be considered a tangible asset and depreciated in line with that class of asset.

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Development costs are eligible for capitalisation but research cost must be written off as expenditure in the period.

Work in Progress (WIP)

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until the accounting period in which they are brought into use.

Donated Assets

If an asset is gifted to IEG that has a value above the capitalisation threshold then the financial records will show this. Records will show:

- date received
- description of the goods
- best estimate of value (with an external valuation if appropriate)

Revaluation

Generally, all fixed assets are recorded at historic cost, and are not periodically revalued. Exceptions to this are when there are impairments, and/or mergers or acquisitions.

Impairments

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, whether through the economic benefits of use or through disposal.

Government Grant Funding

Capital grant funding that directly relates to a project will be added to the Government Grant Reserve and released over the expected life of the asset that is being funded. In certain circumstances, the assets that are being funded may not require capitalising due to the conditions set out in this policy and therefore the applicable amount of the grant that relates to funding the items that are expensed to the Income and Expenditure account will also be released as income in the period.

Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds which can include: -

- Interest expenses calculated using the effective interest method
- Finance charges in respect of finance leases

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Borrowing costs will be capitalised where they are directly attributable to the acquisition, construction or production of a qualifying asset.

A qualifying asset is one which takes a substantial period of time to get ready for its intended use or sale.

For funds borrowed specifically to acquire a qualifying asset, the amount eligible for capitalisation is the cost incurred on that borrowing during the period less any investment income generated on those borrowings. For funds used from general borrowings, the amount eligible for capitalisation will be determined by applying a capitalisation rate. This will be done by taking the average carrying amount of the asset during the period (including borrowing costs previously capitalised) multiplied by the weighted average of rates applicable to IEG's general borrowings during that period, excluding borrowings specific to qualifying assets. The amount of borrowing costs capitalised can not exceed the borrowing costs incurred in that period.

Borrowing costs on qualifying assets will be capitalised at the point that both expenditure on qualifying assets and borrowing are incurred. Borrowing costs should be suspended in extended periods of inactivity and will cease when substantially all the activities necessary to prepare the asset for use or sale are complete.

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Depreciation

It is a fundamental accounting concept to match expenditure against the income that it helps to generate and for assets, this is done by depreciation.

Summary classifications

Assets are categorised into broad groups to define their useful life to IEG as follows:

Freehold buildings	over periods up to 60 years
Long leasehold buildings	over the shorter of 50 years and the remaining lease term
Software and intangible assets	No more than 10 years unless reliable estimate evidenced
Technical equipment	5 to 10 years
Motor vehicles	5 years
Furniture, Fixtures and fittings/Mechanical & Engineering	10 years Over periods up to 20 years or the remaining life of the building
Computer equipment	3-10 years

Detailed asset classification

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This table provides the main items that are assigned to each category. This list is not exhaustive, and may be amended from time to time.

Freehold buildings	over periods up to 60 years	New Buildings up to 60 years Refurbishments up to 30 years or the remaining life of the building (roofs, windows & doors, walls)
Long leasehold buildings	over the shorter of 50 years and the remaining lease term	
Software and intangible assets	Asset specific if measurable, restrict to 10 years if not reliable estimated	Generic Software & Licences – 3 Years Website costs only eligible if generates income – 10 Years
Technical equipment	5 to 10 years	Curriculum Equipment: Microscopes Motor Vehicle Equipment Construction Equipment Hair & Beauty Catering Commercial catering equipment Library equipment
Motor vehicles	5 years	Cars Mini-buses Vans On site mechanical vehicles
Furniture	10 years	Chairs Tables Desks

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Policy No:
FIN008
Appendix 2

		Sofas TV monitors
Fixtures and fittings	10 years or the remaining life of the building	Blinds, Carpets/flooring Internal doors Reception Desks Fitted units (toilets & kitchens, science labs and some catering/hair and beauty fitout) Reconfiguration of internal walls Internal Refurbishments Fume cupboards
Mechanical & Engineering	over periods up to 20 years or the remaining life of the building	Boilers and other heating systems (10 Yrs) Lifts PV panels Lighting Cabling Pipework Access Controls (10 Yrs)
Computer equipment	3-10 years	Servers 7 years Laptops/Chromebooks 3 years Smartboard 10 years iMacs 5 years Charging Trolleys 5 years Peripherals 3 years Virtualis Wall 5 years

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