# Orchard Multi-Academy Trust

# Capitalisation Policy

**Reviewed: Spring 2026**

**Mrs Vicky Greive**

**1. Purpose of this Policy**
The purpose of this Capitalisation Policy is to:

- Ensure Orchard MAT correctly distinguishes between capital and revenue expenditure.
- Set a clear capitalisation threshold and governance framework for recording, depreciating and disposing of fixed assets.
- Comply with the expectations of the Academy Trust Handbook (ATH), which requires trusts to manage and oversee assets and maintain an up-to-date fixed asset register.
- Comply with national guidance defining capital expenditure in schools.

**2. Definitions**
2.1 Capital Expenditure
Expenditure is capital when it meets all of the following:

- It acquires, builds, replaces or enhances a fixed asset.
- The asset will be used for more than one year.
- The expenditure increases the useful life, capacity, performance, or value of the asset.

Key indicators of *capital* vs *revenue* per sector guidance include:

- Capital: enhance, upgrade, extend, improve, construct, acquire
- Revenue: repair, maintain, retain

2.2 Revenue Expenditure
Costs relating solely to the repair, maintenance, or ongoing servicing of existing assets are revenue and must not be capitalised.

**3. Capitalisation Threshold**

3.1 Threshold
Orchard MAT will capitalise individual assets costing £5,000 or more.

3.2 Asset Groups
The threshold applies to the following classes:

- Land & buildings (all capital projects recorded regardless of threshold)
- Building improvements, refurbishments and major replacements
- Mechanical & electrical systems (significant lifecycle replacements)
- ICT network infrastructure
- Vehicles, machinery and equipment
- Furniture and larger items of specialist teaching equipment

Lower-value purchases (e.g., laptops, tablets, classroom furniture under the threshold) will be treated as revenue but tracked through the inventory for safeguarding and insurance purposes — consistent with sector best practice.

**4. Fixed Asset Register (FAR)**
Under the Academy Trust Handbook, Orchard MAT must maintain an up-to-date fixed asset register and ensure it is reconciled to the accounting system.
The FAR must include:

- Asset description
- Asset category
- Location
- Cost
- Useful economic life
- Depreciation method and accumulated depreciation
- Funding source (e.g., capital grants)
- Disposal details and approvals

The register forms part of the Trust's audited financial statements. Orchard MAT uses XERO to maintain this register.

**5. Depreciation**

5.1 Method
The Trust uses the straight-line method over the asset's estimated useful life, consistent with common educational accounting practice.

5.2 Typical Useful Lives

- Buildings: 25–50 years
- Building improvements: 10–25 years
- ICT infrastructure: 3–5 years
- Plant & M&E systems: 10–20 years
- Furniture & equipment: 5–10 years
- Vehicles: 5–8 years

5.3 Depreciation Starts
Depreciation begins when the asset is brought into use, not on purchase.

**6. Donated, Grant-Funded or Self-Constructed Assets**

- Donations are recorded at fair value at the time of acquisition.
- Assets funded from restricted grants must comply with grant conditions.
- Disposals require reference to funding rules.
- Self-constructed assets include direct and attributable indirect costs consistent with established capital accounting guidance.

**7. Distinguishing Capital from Revenue in Projects**
When commissioning works, the Trust must:

- Instruct contractors to separately identify capital vs revenue elements (aligned to guidance requiring revenue and capital items to be distinguished at commissioning stage).
- Ensure project managers tag costs correctly in the finance system.

- Seek CFO approval for any judgement-based classification.

Examples:

- Replacing a boiler with an equivalent model = capital (extends serviceable life).
- Servicing the boiler = revenue.
- Roof replacement = capital.
- Roof patch repairs = revenue.

**8. Disposals**

No asset may be disposed of, donated or written off without prior CFO approval, and in some cases Trust Board approval depending on value.

Disposals must comply with:

- Funding regulations for grant-funded assets
- Trust finance regulations
- Requirements for maintaining accurate FAR records (ATH expectations).

Documentation of disposals (method, proceeds, justification) must be retained for audit.

**9. Responsibilities**

- CFO: Accountable for policy implementation, FAR accuracy, and financial controls.
- School Business Managers: Maintain FAR, process & capital entries also Report asset acquisitions, disposals, and inventory changes. for their own school.
- CEO: Identify capital projects.