

## **NAG 4—Finance and Property**

### **Fixed Asset Policy**

#### **Rationale**

This policy is to guide the Board and administration staff to ensure the value of fixed assets recorded in Northern Health School's annual financial statements is materially correct and that the annual depreciation charge recorded by the school fairly represents the use of the assets over their lives.

#### **Definition**

Fixed assets are physical assets that are owned by the school and have been acquired or constructed with the intention of being used on a continuing basis. Fixed assets may also include items held for the maintenance or repair of other assets.

Fixed assets are property, plant and equipment that will have a useful life of more than 12 months over which the school has control.

Fixed assets are managed via a Fixed Asset register and includes a unique identifier code, asset name, description, purchase and capitalisation dates, purchase cost, department, cost centre, residual value and asset life and depreciation rule.

#### **Guidelines**

##### **Cost (Valuation)**

- a) Fixed assets are initially recorded at cost, or, in the case of donated assets, initially recorded at their fair value at the date of receipt. Initial cost includes the purchase consideration or fair value as the case may be, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use.
- b) Fixed assets are valued at historical cost. Subsequent expenditure that increases or extends an asset's service potential is capitalised.

##### **Recognition**

- a) Items of property, plant and equipment with an individual value in excess of \$500 are capitalised on purchase.
- b) Other items with an individual value below \$500 are expensed with the exception of furniture and fittings that are purchased in quantity where the total value exceeds \$500, such as classroom desks and chairs. This is to reflect their significant total value as a percentage of the total assets of the school.
- c) Textbooks, even when purchased in quantity, are recorded as a learning resource expense and not capitalised on purchase. This reflects the high usage and frequent curriculum changes that make textbooks obsolete.
- d) Minor sports and teaching equipment, even when purchased in quantity, are recorded as learning resource expense and not capitalised on purchase. This reflects the need for regular replacement of these items and their low total value when compared with the total fixed asset holding.

**Depreciation**

- a) Fixed assets are depreciated on a systematic basis. Fixed assets, except for library books, are depreciated so as to charge their cost or value over their estimated useful life on a straight-line basis.
- b) Estimated useful lives are:
- |   |          |
|---|----------|
| Furniture - Classroom                   | 9 years  |
| Furniture - Office/administration       | 9 years  |
| Equipment – Administration and Teaching | 3 years  |
| Computers                               | 3 years  |
| Plant and machinery                     | 10 years |
| Vehicles                                | 5 years  |
| Buildings                               | 40 years |
| Leasehold Improvements                  | 40 years |
| Library Books                           | 8 years  |

Leased equipment is depreciated over the lease term.

**Gain/Loss on disposal**

- a) Where a fixed asset is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying amount of the fixed asset.
- b) When a fixed asset is written off because it is now obsolete or beyond repair, the gain or loss recognised in the Statement of Financial Performance is the carrying amount of the fixed asset.

**Review**

- a) Each year, NHS undertakes a review of the useful life and method of depreciation for each category of fixed assets to ensure they are appropriate.
- b) NHS performs an annual physical stock-take of fixed assets to verify the physical existence and ensure that the true cost of fixed assets is reflected in the school's financial statements.
- c) NHS Business Manager holds the responsibility for managing the Fixed Asset register.

Adopted	December 2022
Presiding Member	
Review Date	December 2023