

DEPRECIATION & CAPITALISATION POLICY

Depreciation and Capitalisation Policy

The college's treatment of expenditure on fixed assets varies according to the category of the assets and their expected useful economic lives.

Land and Buildings

Depreciation

Building improvements are depreciated on a straight line basis over their expected useful lives as follows:

- Improvement to property – 4% straight line

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Expenditure

- Land – capitalised at cost
- Buildings – capitalised at cost, where brought into use
- Project Work – capitalised at cost, but only when there is a material enhancement in excess of £20k to the assets and as such prolongs the life of the asset
- Repair and maintenance costs should be charged directly to the Income & Expenditure account.

Equipment

Depreciation

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Computer equipment – 33.3%
- Plant and machinery – 10%

Expenditure

- Furniture & Fittings – only capitalised if it is a group purchase of furniture in excess of £5k
- Office Equipment – capitalised at cost in excess of increase to £1000 an ‘operating’ lease should be charged directly to the Income & Expenditure account.
- Computer software – only capitalised if it enhances the operational life of the system and not as direct replacement of outdated software and is at a cost in excess of £1k. Consultancy costs and other ‘one off’ initial costs should only be capitalised if part of a project greater than £3k. Software licences in excess of £3k should be capitalised. All software developed internally should be charged directly to the Income & Expenditure account.
- Computer Equipment – Individual PCs and laptops in excess of £500 will be capitalised, grouped PC purchases greater than £500 will be capitalised. Cabling and similar fittings will only be treated as capital, if considered as part of a major infrastructure upgrade. Otherwise these should be considered as general repairs to the building infrastructure and therefore not capitalised. Check if mechanism is in place to identify the item so it can be disposed of properly in the FAR when we get rid of it
- Website development – Design and content development costs in excess of £5k should be capitalised only as part of a major development of the website. Website planning costs and expenditure to maintain or operate the website once it has been developed should be charged to the Income & Expenditure account.

Subsequent expenditure on fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase, it is charged to Income & Expenditure account on the period it is incurred unless it increases the future benefits to the college, in which case, it is capitalised and depreciated on the relevant basis.

Useful Economic Life

The useful economic life of a tangible fixed asset should be reviewed at the end of each financial year and revised if expectations are significantly different from previous estates. If a useful economic life is revised, the carrying amount of the tangible fixed asset at the date of revision should be depreciated over the revised remaining useful economic life.

Physical Inspection of Assets

Tangible fixed assets should be physically verified on a regular basis. At least once per annum and will be the responsibility of the Director of Operations throughout the year.

An audit train, plus results, should be retained for use by the college's internal and external auditors.

Review of Policy

This policy should be reviewed every two years and whenever changes affect it.

This Policy should be read in conjunction with other relevant College policies, procedures and guidance documents, whether specifically listed above or subsequently published or amended.

The College reserves the right to update, introduce, or revise policies and procedures from time to time.

Compliance with the most current versions of applicable policies and procedures, as published, is expected.

Title:	Depreciation and Capitalisation Policy
Lead Officer:	Director of Operations
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Next Review date:	May 2026
Approved By:	Audit & Risk Committee
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