Finance and Resources Committee, 19 March 2013

Non- Current Assets Capitalisation and Depreciation Policy

Executive summary and recommendations

Introduction
It is proposed that the capitalisation requirement of a cost in excess of £1000 be extended to all assets with effect from 1 April 2013.The change is to include IT assets which have previously been capitalised even if the cost is less than £1000..
A copy of the proposed policy is attached

This policy replaces the deprecation policy and the asset recognition policy.

Decision
The Committee is asked to:

1. Review and approve the policy
2. Recommend the policy for approval by the Council.

Background information
None

Resource implications
None

Financial implications
Depreciation reduction of £15,000 in the 2013/2014 budget

Appendices
Appendix 1- Non-Current Asset Capitalisation and Depreciation Policy

Date of paper
7 March 2013

Non-Current Assets Capitalisation and Depreciation Policy

Effective from 1 April 2013

1. Non-Current Assets

1.1 The costs for these items should be shown on the Statement of Financial Position and recognised at cost or fair value. The costs should be able to be measured reliably and have a future economic benefit to the organisation.

1.2 The asset should have an expected useful life for which it can be used by the organisation.

2. Tangible Assets

2.1 Tangible assets are assets which can be physically touched. This includes Property, Office Furniture and Equipment and Computer equipment.

2.2 The costs for these items should be shown on the Statement of Financial Position and recognised at cost or fair value. The costs should be able to be measured reliably and have a future economic benefit to the organisation.

2.3 The asset should have an expected useful life for which it can be used by the organisation.

2.4 Costs which can be included are the purchase price, initial delivery and handling costs, installation and assembly costs and professional fees. Any subsequent expenditure, such as replacing a part or adding to the asset, must also be capitalised.

2.5 Costs for an individual asset over £1,000 must be capitalised.

2.6 The asset must be shown at fair value and therefore an impairment review should take place at the end of the accounting period. This probably will result in a revaluation of the asset. All groups of assets should be revalued at the same time. Land and property are the main assets HCPC hold which would be revalued.

2.7 Where assets are under construction, these must been shown separately in the tangible asset note in the statutory accounts and not depreciated or revalued.

2.8 The tangible asset must be depreciated over its economic useful life. The following depreciation rates apply for HCPC. Assets are depreciated on a straight line basis:

Property - 2% per year
Computer Equipment – 33% per year
Office Equipment - 25% per year
Land is not depreciation

3. Intangible Assets

3.1 Intangible assets are assets which cannot be touched and in some cases not physically seen. This includes Computer Software and Computer Licenses. Computer Software is the cost of developing a piece of software and not the license cost. Software costs generally are project related.

3.2 Costs which can be included are the purchase price, research costs (providing they lead to the development of an asset), development costs and professional fees. If the project does not go ahead research costs have to be expensed though the income and expenditure account.

3.3 Costs must be clearly identifiable to a specific asset and be measured reliably. An intangible asset should be measured at cost

3.4 Individual asset costs can be less than £1,000

3.5 The intangible assets must be amortised over their economic useful life. The following amortisation rates apply for HCPC. Assets are depreciated on a straight line basis:

Computer Software – 33% per year
Computer Licenses – 33% per year